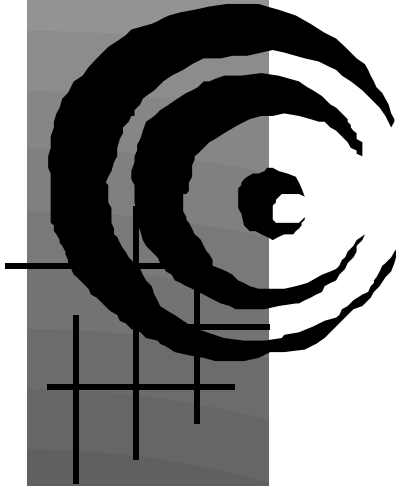


# **Customer Education**



## **Emerging Competition in the Electric Industry**

Docket No. NOI-95-1

### **A Staff Analysis**

March 1999

IOWA UTILITIES BOARD  
IOWA DEPARTMENT OF COMMERCE

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## **EXECUTIVE SUMMARY**

The staff Customer Education Team of the Iowa Utilities Board was charged with several tasks relating to electricity customers' information needs. The team worked with the Iowa Energy Center to engage a consultant and to develop a survey of Iowa electricity customers. The team also assisted the Market Structure Team and Iowa Energy Center in engaging a contractor to develop a customer education plan for the Retail Access Pilot Project.

Each of these contractors produced a report, and their findings are incorporated into this report. In addition to insights from the survey and the pilot education plan, staff researched Iowa statutes and rules and researched other states' policies and methods. This report addresses issues of the need for customer education, plus specific issues of information disclosure, metering and billing, and several consumer protection issues which were not assigned to other staff teams.

The Electric Customer Survey conducted by the Social Science Institute shows that many residential and small commercial customers often do not read basic elements of their electric bills. Most customers are not familiar with restructuring initiatives which are beginning across the country.

The Electric Customer Survey disclosed that customers place a high value on the cost and reliability of electricity. Customers also value customer service and other features of electricity. When presented with a simplified scenario for potential changes, Iowa customers express cautious optimism about changes associated with the term "competition" in the electric industry, but are less enthusiastic about "deregulation" or "restructuring." Customers are most interested in television and newspapers as sources of information, and consider the state regulatory agency the most credible source of information.

Research by the Eos Corporation in developing a customer education plan suggests customers will need: (1) an awareness of the changing electric utility environment; (2) information about how the new system differs from the old, and; (3) an understanding of how to use the information available to them in order to benefit from changes in the electric industry. An active education effort and basic consumer protections may help avert unrealistic expectations by customers about price changes in a restructured electricity industry.

Customer information may be provided by educational efforts, but much of the information customers will use may come from offers made by competitive generation suppliers, or from customers' bills. Various customer information issues related to bills should focus on adequately informing customers, to allow the market to function more efficiently. Markets may work better if, for example, customers are able to see the costs of generation on their bills, have access to a toll free number for complaints, and fully understand the terms and conditions of service. The research by Eos suggests that customers in states which have already begun restructuring want information which will allow them to make comparisons among generation suppliers.

Policymakers may consider collaborating with other states in the region to develop a uniform standardized approach to disclosure of supplier information. New authority may be needed for regulators in order to deal with potential problems of "slamming" or unauthorized switching of service, or standardized written contracts may be a method for ensuring protection of small customers.

## **INTRODUCTION**

In the Action Plan approved by the Iowa Utilities Board (Board) on September 10, 1997, the Board stated the need to educate the public and various state policy makers on the complexities relating to retail competition in the electric utility industry. The Board also stated the need to determine what information consumers need to effectively participate in a competitive market.

The staff Customer Education Team was charged with several tasks relating to electricity customers' information needs. Based on the Board's instructions to obtain additional resources, the team worked with the Iowa Energy Center to engage a consultant to develop a survey of Iowa electricity customers. The team assisted the Market Structure Team and the Iowa Energy Center in engaging a contractor to develop a customer education process for the Retail Access Pilot Project. The team also reviewed existing Iowa statutes and rules, and researched other states' policies and methods, focusing on assigned issues.

The Customer Education Team was charged with examining the following areas: (1) customers' knowledge of restructuring and methods of implementing customer education; (2) generation supplier information disclosure, and metering and billing; and (3) consumer protection issues, especially "slamming" and "consumer bill of rights." This report is organized into three sections, corresponding to the issues of customer education, information disclosure and metering/billing, and consumer protection.

The first section addresses customer education from a general perspective. A brief introduction and review of Iowa statutes and rules is followed by a discussion of the Iowa Electric Customer Survey. This survey was conducted by the Social Science Institute at the University of Iowa, under the direction of Dr. Mary Losch. The survey targeted both residential and small business electric utility customers, with a focus on customers' knowledge and judgment of their

present electricity service and their impressions of various issues which might arise under electric utility restructuring.

The customer education section also discusses the research and findings of the Eos Corporation (Eos), which form the basis for Eos' continuing development of a Customer Education Plan for the Retail Access Pilot Project. The Eos Preliminary Report makes a compelling case for customer education tailored to the needs of Iowa residential and small commercial customers, who have not been exposed to the vigorous discussion of electric restructuring prevalent in other states. Eos describes a blueprint for an education process that alerts electricity customers to the potential new environment, provides customers with basic knowledge about the electricity industry, and prepares customers to deal effectively with the marketing materials and new service options they will encounter in a restructured electricity market.

The next section of the report examines issues which may be addressed if electricity restructuring is enacted in Iowa. The issues of information disclosure and metering and billing will form the front line of customers' encounters with a new system. Issues of disclosure and metering and billing may need both preliminary solutions and continuing attention. Similarly, customer protection issues could make or break a newly restructured electricity industry in Iowa. Thus, the third section of the report addresses issues of potential unauthorized switching of suppliers or "slamming," and discusses a mechanism to clarify expectations, by providing customers with a "customer bill of rights."

The report includes six appendices which present the customer survey, discuss customer education, and summarize staff research into various issues. The last appendix (Appendix F) summarizes comments received from members of the Board's advisory group on the draft version of the report.

## **CUSTOMER EDUCATION**

### **Introduction and Background**

Electric industry restructuring holds the potential for significant changes in the way electricity consumers obtain their electric energy and the services which accompany it. If the electric industry in Iowa is restructured, electricity customers may need an awareness of the changing environment, information about the new system, and an understanding of how to use the information available to them in order to benefit from changes in the electric industry.

In their study on retail market options, Hadley and Hillsman point out that for the past 60 plus years, residential electricity customers have only had one purchase option; to buy kilowatt-hours (kWh) of electricity, at a schedule of prices set by rate regulation of a monopoly electric utility. Commercial and industrial customers have had more complex price schedules, yet they also purchased electricity from the monopoly supplier. Thus there was little need for customers to understand the details of how electricity was supplied and distributed.

The passage of the federal Energy Policy Act of 1992 and the advent of retail competition have elicited additional ways of purchasing electricity. The report by Hadley and Hillsman describes more than a dozen retail electric customer options, from self-service wheeling, to brokers, to bilateral negotiated contracts.<sup>1</sup>

However, it appears that in Iowa, electricity customers, especially residential and small commercial customers, have little knowledge of the potential changes in the electricity industry. This is not to say electric utilities have failed to educate customers, it simply means the subject is not a priority for most people.

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<sup>1</sup> Hadley, Stanton W. and Edward L. Hillsman. July, 1995. *ELECTRIC RETAIL MARKET OPTIONS: THE CUSTOMER PERSPECTIVE*. ORNL/CON-418. Oak Ridge National Laboratory. Oak Ridge, Tennessee.

The nature of electricity works against customers' efforts to comprehend the electricity system. Electricity is invisible except when it is converted, through customers' electrical equipment, into light, heat, refrigeration or motor power. The electric production and delivery system is also largely invisible to customers, except when events such as storms disrupt the delivery of electricity.

Various studies have found consumers cannot accurately predict the cost of energy-using technologies and assume, for example, that turning off lights will save as much energy as reducing wasted hot water.<sup>2</sup> Another nationwide survey showed that more than half of electric customers could not identify the top three sources of electricity in their area of the country.<sup>3</sup>

In Iowa, the Electric Customer Survey conducted by the Social Science Institute shows that many residential and small commercial customers infrequently read basic elements of their electric bills. Most Iowa utility customers are not familiar with restructuring initiatives beginning across the country. The survey results suggest that an educational effort may be needed as part of any electricity restructuring initiative in Iowa. Terminology used to describe changes in the electric industry may be an issue in educational efforts. Electricity customers view changes in the industry differently depending on whether the changes are described as "competition" or "deregulation" or "restructuring."

Electricity customers' lack of knowledge of major elements of the electricity system does not mean they are unaware of the importance of electricity in their lives. Although residential and small commercial customers are concerned about

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<sup>2</sup> See for example Dennis et. al., page 1112; Dennis, M. L., Soderstrom, E. J., Koncinski, W. S. Jr., and Cavanaugh, B. "Effective Dissemination of Energy-Related Information: Applying Social Psychology and Evaluation Research." *American Psychologist*. October 1990 (pp. 1109-1117)

<sup>3</sup> Moskowitz, David, Richard Cowart, Alan Levy and Brian Roe. "What Consumers Need to Know if Competition Is Going to Work." *The Electricity Journal*. June, 1998. pp. 38-48.

electricity cost, customer service, and other attributes of the system, they rate the reliability of electricity as very important.

## **Customer Education in Iowa Statutes and Rules**

Iowa statutes address various electric customer information issues. There are also various administrative rules which implement statutory requirements concerning customer information. Administrative rules include detailed requirements pertaining to utility bills, meter reading, and notifying customers of disconnection of service. See Appendix E for a list of statutes and rules relating to customer information.

There appears to be no statute which addresses the needs of customers to be informed about the present electric industry or potential changes in the industry. This is not surprising because the electric industry has changed little over the past 60 plus years, and the provision of information to customers was the responsibility of the monopoly utility.

Administrative rules affirm customers' rights to information about their electricity use, and spell out the utility's obligation to assist a customer with information needed to obtain service. However, the rules apply to customers' need for information about connections to the utility system, rather than customers' evaluation of offers of generation service from competing suppliers.

Administrative rules also relate to information requirements for filings and formal proceedings, require reports, records and other information to be available to customers, and govern promotional practices and classification of advertising expenses. Other rules require utilities to work with customers to avoid system problems, by notifying customers about peak electric demand situations, etc.

Mirroring the lack of statutes, there are no rules which generally address the need for customer education about changes in the electric industry.

### **Iowa Electric Customer Survey**

The Action Plan issued on September 10, 1997, recognized the need to educate the public and policy makers on the complexities of retail electric competition. Board staff and the Iowa Energy Center developed and issued a request for proposals for a statewide survey to assess customer awareness, knowledge, and perceptions about electric utilities and restructuring. Out of the four proposals, the Social Science Institute at the University of Iowa was selected to perform the survey research.

The survey was conducted from June to August of 1998, with samples of 800 residential and 400 small commercial respondents. The survey samples successfully covered the state, reaching residential customers in 98 out of 99 counties. The samples also generally resemble the population of Iowa, as collected in the 1990 census. For details about the survey, see Appendix A.

In this discussion, staff generalizes about customers as if there were an “average customer” who provided the answers to the survey questions. In reality, for some questions, substantial percentages of customers would disagree with some of the opinions of the “average customer.” Unless otherwise noted, these findings and conclusions apply to both residential and small commercial customers.

## PERCEPTIONS OF ELECTRIC UTILITIES AND THE ELECTRIC INDUSTRY.

Customers, especially small commercial customers, value reliability of electricity service above all else. Customers also view cost and customer service as very important. Customers value understandable billing information and environmentally sound practices as important, although not as important as reliability, cost or customer service. Attributes of electric utility service such as energy saving tips, low-income assistance, or the source of energy are not viewed as very important by many customers.

Customers are generally very satisfied with their electric utilities, and view the electric industry as being very reliable and as working hard to minimize the dangers of electricity. Customers are not sure whether utilities charge a “fair rate” for electricity. They may not have a good basis for comparison, may not understand their rates, or simply may not care about the level of electricity costs.

## KNOWLEDGE OF ELECTRICITY USE AND BILL.

Most customers do not know the rate they pay per kilowatt-hour for electricity. However, customers report they read their monthly usage of electricity. Customers say they do not frequently read the details of their bills. In addition, many customers do not read bill inserts at all. Thus, bill inserts may not be the best initial or sole source of information or education.

## AWARENESS OF CHANGES IN THE ELECTRIC UTILITY INDUSTRY.

Only about one quarter of residential and small commercial electric utility customers in Iowa are familiar with changes in the electric industry which are occurring in other states. Customers have not formed strong impressions about electric utility changes, even when those changes are described as deregulation.

Customers were asked for first impressions of various terms used in discussions of electric utility changes. Few customers provided spontaneous responses, but those who did can be categorized by three sets of associations. Residential customers associate “competition” with lower rates, “deregulation” with higher rates, and “restructuring” with mergers and higher rates. Small commercial customers generally mirror residential associations with the terms “competition,” “deregulation” and “restructuring.”

Customers were presented with a hypothetical scenario for electric restructuring, as follows:

If potential changes in the electric industry take place, the following may occur:

- (1) Customers will have a choice of the company which produces their electricity.
- (2) Electricity producers may be from outside your community or the state.
- (3) Prices for electricity from producers will be set by the market.
- (4) The utility which owns the wires and distributes electricity to customers will continue to be regulated and will maintain the wires and restore service in emergencies.

More customers believe this set of “potential changes” will lead to lower rates than believe that rates will increase. Customers also tend to believe the hypothetical scenarios for changes in the electric industry will lead to more customer choice and more market competition. However, customers had concerns about reliability after hearing about the hypothetical scenario.

Substantial numbers of both residential and small commercial customers believe that the main beneficiaries of potential changes will be large industrial customers.

When asked which factors will influence their decisions about choosing an electricity supplier, most customers emphasize reliability and cost.

#### DISSEMINATION OF ELECTRIC UTILITY INFORMATION TO CUSTOMERS.

Many residential customers rate state regulatory agencies as very credible sources of information, followed by current electricity providers and then new providers. Television and print media were viewed as the most effective channels of communication, with newspapers and direct mailings viewed as the best print media.

#### IMPLICATIONS OF THE ELECTRIC CUSTOMER SURVEY.

Observers should not read too much into this survey, or regard customers' opinions expressed in this survey as fixed for all time. One of the primary findings is that customers know little about the electric industry or restructuring. Iowa electric customers are cautiously positive about potential changes in the electricity industry as described in the hypothetical scenario, especially if these changes lead to more competition. However, many customers, especially small businesses, are very concerned about maintaining a reliable supply of electricity. Customers' lack of knowledge about electric restructuring and about components of their electric bills suggests the need for education before and during any transition to a restructured system.

### **Customer Education Research Study**

In its action plan of September 10, 1997, the Board asked the Iowa Energy Center to assist in developing a process for educating the public on electric restructuring issues. In addition, the Board determined that a pilot project should be conducted in Iowa to gather information on the benefits, costs and feasibility

of a competitive retail market for electricity. Customers' information needs and methods of providing information are to be key parts of the pilot project.

The Iowa Energy Center, assisted by Board staff, developed and issued an RFP for proposals to design a Customer Education Plan for the retail access pilot project. After reviewing four proposals, the Eos Research and Development Corporation (Eos), a non-profit corporation from Cedar Rapids, was selected to develop the Customer Education Plan. As part of its development of the education plan, Eos prepared a report on electricity customers' educational needs and educational processes. The complete text of the Eos Report can be found in Appendix B, but for summary purposes, staff includes the following synopsis submitted by Eos.

#### Levels of Education Needs of Electrical Utility Customers in a Restructured Environment

The Iowa Customer Education Program for Electric Retail Access Pilot Project stated:

"The goal of the education program is to adequately prepare these customers for the marketing activities of alternative energy suppliers and to make informed choices."

Introducing customer choice into an industry that has operated with regulated monopolies for nearly a century is bound to create confusion among consumers whose primary, if not only, interaction with their electricity service provider has been to pay their bills. The confusion by consumers in other states during the early implementation of deregulation of the electrical industry clearly demonstrated the need to educate consumers before they are faced with the need to make choices on which supplier to select.

This was especially true in New Hampshire, the first state to extend choice to large numbers of residential consumers. Other deregulation efforts and pilots have continued to demonstrate that, in general, consumers do not have the knowledge to operate in a competitive environment and make the necessary choices of their supplier.

National and statewide research using focus groups and surveys have been conducted to identify factors important to participants in choosing a supplier. Iowa, in turn, has provided funding for a survey of consumer knowledge and factors they consider important in supplier selection. The Iowa survey was consistent with educational needs identified in the research efforts across the nation. Consumers are not aware of the move to deregulation in the electrical industry or of the current or proposed industry structure. When consumers are offered an opportunity to participate in a competitive electrical market, they resist the change, apparently motivated by either lack of knowledge of any advantage they might receive or by fear, uncertainty, and doubt (FUD).

A deeper analysis of the studies of what information consumers want in choosing an electrical supplier reveals that consumers must have a basic knowledge of the current and expected structure of the electrical industry before they can even consider what information they might want in order to select a supplier. A series of focus groups were conducted by NARUC across the U.S. to determine what "Information Consumers Want in Electricity Choice." The original focus groups were conducted in New Hampshire after deregulation was implemented. General knowledge of deregulation was a selection criterion for participation in these first focus groups. During subsequent focus groups, where knowledge of deregulation was not a requirement for participation in the research, if the participants did not have prior knowledge of restructuring they had to be briefed on restructuring before the focus group activity could be conducted.

Consultation with educators involved in "after school" or "adult education" has revealed they also have recognized the requirement to address the needs for awareness/motivation and sufficient baseline knowledge, if the primary education effort is to be successful.

## CONCLUSIONS AND RECOMMENDATIONS FROM THE EOS REPORT.

There appear to be three levels of educational needs for electricity consumers:

An **Alert or Awareness Level** where consumers are alerted to the coming restructuring and during which they are motivated to seek out more information.

A **Functional Knowledge Level** where consumers gain background or basic knowledge about the industry, what changes are occurring, and other basic knowledge, such as how to measure usage (kWh), meanings of terminology, and the different fuels used to generate power.

An **Operational Knowledge Level** in which consumers gain the skills to prepare them to interpret marketing material, compute estimated prices and other aspects of each supplier offering, and select the supplier that most meets their individual needs.

Eos suggests customers' knowledge of the electricity system may be low, as evidenced by participants in the New Hampshire and Massachusetts pilot programs. Eos recommends that education and information about electricity cover at least the following topics:

- Customers need to know what is a kilowatt-hour (kWh) and what determines/constitutes the price of a kWh.
- Customers need to know how much electricity costs.
- Customers need to know their kWh usage.
- Customers need to understand the rate structure of the competing offers and determine what their cost would be under any specific plan.
- Customers need supplier materials that are easily compared (IUB directed), or need to know how to ask and be willing to ask the right questions to obtain data that can be compared.

Eos suggests three simple goals for restructuring education:

- Increase consumer awareness of retail access and related issues.
- Facilitate informed consumer decision-making thereby achieving customer-preferred outcomes.
- Provide an objective and credible source of information for consumers.

Eos points out that customer education efforts in Iowa can benefit from the problems uncovered in other states. For example, the pilot program in New Hampshire left most participants very confused by the “dizzying array of offers and mind-boggling marketing blitz.” Even though most participants in the New Hampshire pilot said they understood the program, 42 percent did not participate. Eos adds that the three stages of information it proposes need not be a perfect sequence. However, information should be provided in a way that maintains

interest, overcomes inertia, and results in a decision, even if the decision is an informed decision not to participate in the competitive market.

## **Consumer Education Mechanisms in Other States**

Several approaches to customer education have been used by various states. At the most basic level, some states have deferred action on education to committees or working groups, or have simply affirmed that:

Consumers must have easy access to affordable, accurate, and comprehensible information so that they can make informed decisions about the supplier and the services they choose. Informational materials should be readily available, tailored to customer type, and disseminated through multi-media intended to reach different customer groups.<sup>4</sup>

Other states have directed their utilities or service providers to conduct educational activities. For example, Arizona's commission has issued an order stating "(E)lectric Service Providers shall provide notification and informational materials to consumers about competition and consumer choices, such as a standardized description of services, as ordered by the Commission."<sup>5</sup> This leaves the information "service" in the hands of providers, subject to the Commission's direction.

One state, Nevada, puts the burden on its commission to "carry out an educational program for customers . . . ." The Nevada commission is given a charge to:

- (a) Inform customers of the changes in the provision of electric service, including, but not limited to, the availability of alternative sellers of electric service;

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<sup>4</sup> Delaware PSC Docket No. 97-229, January 27, 1998, page 22.

<sup>5</sup> ACC Decision No. 59943, 12/26/96.

- (b) Inform customers of the requirements relating to disclosures, explanations, or sales information for sellers of competitive services; and
- (c) Provide assistance to customers in understanding and using the information to make reasonably informed choices about which service to purchase and from whom to purchase it.<sup>6</sup>

Many states, including California, Illinois, Maine, Michigan, New Hampshire, New Jersey and Vermont provide detailed requirements for customer education, either through utility commission orders, or through a combination of legislation, commission orders and working group reports. An example of the combined approach can be seen in Maine, where the legislature authorized the commission to adopt rules implementing consumer education, including organizing an advisory board charged with investigating and recommending methods to educate the public.<sup>7</sup> A more extensive summary of education efforts can be found in Appendix C.

### **Options for Customer Education Efforts**

If the electric industry in Iowa is restructured, some type of information and education effort appears to be needed. The following is a listing of various options. Where appropriate, the list notes states where similar initiatives have been approved or are underway.

(1) Legislative directives or commission recommendations could support further study by the Iowa Utilities Board or by a legislative committee or could provide a general endorsement of customer education, with few specifics. States which have taken this approach include: Connecticut, Delaware, Louisiana, Maryland, Virginia and West Virginia.

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<sup>6</sup> Nevada AB 366, Section 48, 7/97.

<sup>7</sup> Maine, LD 1804, 5/97.

(2) Customer education could be left entirely to the market with education provided by distribution utilities, electric service providers, or marketers. The development and details would be left to the market participants. States which have taken a similar approach seem to be: Arizona, Montana and New York.

(3) Detailed statutes and Commission rules could specify the working of a customer education plan for the entire state. Funding would be provided either by a charge implemented through the distribution utilities, as in California, or by an appropriation from the state's general fund, as seems to be the case in Illinois. This approach is being taken by: California, Illinois, Maine, Massachusetts, Michigan, New Hampshire, New Jersey and Vermont.

(4) The legislature could delegate general authority to the Commission to conduct customer education. This appears to be the approach in Nevada.

Any of the options listed above could be implemented through a working group. Several states use working groups to develop rules or prepare customer education plans.

## **INFORMATION DISCLOSURE, METERING AND BILLING**

### **Introduction and Background**

If the electric industry is restructured in Iowa, customers will have to make choices regarding their electric service and electric service provider. To facilitate the transition to a competitive market, customers must have access to certain types of information. Access to information is a key factor in making informed choices. If customers feel that they have adequate information available to them, they are more likely to accept the move to a competitive market. Additionally, adequately informed customers will allow the market to function more efficiently.

The questions that must be answered are:

- what information about generation suppliers should be provided;
- how detailed the information should be;
- in what format should it be provided and at what point.

Too much information can be confusing, while too little information leads to inaction. Generally, customers want information relating to price, terms of service, fuel mix and environmental impacts.

NARUC addressed the issue of customer “right-to-know” and product labeling of electricity at its 1996 Annual Conference. A resolution was adopted on November 20, 1996. The resolution’s conclusion states:

The National Association of Regulatory Utility Commissioners (NARUC) . . . believes that the electric industry should facilitate informed customer choice that will promote efficient markets, resource diversity, and environmental quality; and

NARUC supports initiatives leading to minimum, enforceable, uniform standards for the form and content of disclosure and labeling that would allow retail and wholesale consumers easily to compare price, price variability, resource mix, and environmental characteristics of their electricity purchases; and

NARUC urges states adopting retail direct access programs to include enforceable standards of disclosure and labeling that would allow retail consumers easily to compare the price, price variability, resource mix, and environmental characteristics of their electricity purchases.

Staff reviewed fifteen states which have enacted legislation or issued restructuring orders. Of the states that discussed disclosure, most were developing guidelines through public utility commission orders or rules. (See Appendix C, Section II, Status of Disclosure Activities.)

Of the states that require generation suppliers to disclose fuel mix, emissions characteristics, and/or terms of service, most require that information be provided to customers in a uniform or standardized format, to allow for “apples-to-apples” comparisons between competitive offers.

IOWA CODE Chapter 476 provides that the Board shall establish all needful, just and reasonable rules, not inconsistent with law, to govern the exercise of its power and duties, the practice and procedures before it, and to govern the form, content and filing of reports, documents and other papers necessary to carry out the provisions of this law. Retention of this authority should be sufficient to ensure customers have information to make informed choices in a restructured environment.

This section of the report addresses three issues concerning information disclosure. These issues include:

- Metering and Billing
- Environmental Disclosure
- Regional Versus Local Approach to Disclosure

## **Customer Metering and Billing**

Certain Sections of Iowa Admin. Code Chapter 20 govern metering and billing. These rules attempt to instill customer confidence in their electric bill. This confidence is built through providing sufficient billing information for customer computations, ensuring meter accuracy, and providing an appropriate recourse when the bill is found in error. Appendix E includes a summary of the rules governing metering and billing.

Continued customer confidence in their electric bill is essential in a restructured environment. In fact, the need for accurate and trustworthy information increases in an environment where more than one supplier provides a particular service. Therefore, existing rules could continue to be relevant for most customers in a restructured industry. Application of these rules to all suppliers providing services to end-use customers may be appropriate.

Additional questions regarding metering and billing arise from restructuring. These questions include:

- Should different requirements apply to different customer classes?
- Should delivery and supply be billed separately for residential and small commercial customers?

- Should standardized bill formats be required for residential and small commercial customers?
- How should standard offer service be billed?
- What additional protections should be afforded residential and small commercial customers?
- Should metering and billing services be opened to alternative suppliers?

Responses to these questions are detailed below.

Different Requirements for Different Customer Classes: Large industrial and commercial customers may require different protections from fraudulent metering and billing practices than for residential and small commercial customers. Competition and the availability of information will likely police these practices for large customers. In addition, excessive rules governing these practices for large customers could hamper market development by limiting marketers wishing to tailor-make a service and billing plan for a potential customer.

Large customers often possess the expertise to actively pursue competitive electricity supply. Competition (or the threat of competition) has and will continue to be the best protection against metering and billing abuses for large customers. The protections afforded by competition will be slower coming to residential and small commercial customers.<sup>8</sup>

Large industrial and commercial customers are also able to more easily process information than smaller customers. Several large customers have energy

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<sup>8</sup> Absent aggregators in the market, these protections may never materialize for small customers.

managers whose primary role is to acquire the most economical energy supplies. Alternative suppliers will ensure these managers have adequate information to make informed choices. Smaller customers will need to seek out information on alternative suppliers and will have less time and expertise to process this information. Most small customers will not want to invest the time and expense to independently determine the most economical source of supply and will instead depend on the promises of marketers.

Bill Format: Bills need to provide consumers with sufficient information to make informed decisions about prices, services, and suppliers. Bills may also provide an understanding of complaint procedures available to customers if disputes arise. Essential to these complaint procedures is the availability of a toll free number to both the customer's generation and delivery supplier. The availability of a toll free number is one item which could be included in supplier or aggregator codes of conduct required for licensing. (See the Reliability Team report.)

An effective and efficient market in generation requires the availability of accurate and consistent information. Most states require specific information in the bill and some states (such as California) require a standardized bill format developed by the commission. A standardized bill format is one option to consider if customer confusion and complaints arise.

One Bill or Two? Arguments have been advanced that the customer should have the right to choose whether he receives one or two bills for electric service.<sup>9</sup> If the customer chooses two bills, the distribution company and the AGS would bill the customer separately. If the customer chooses one bill, a question arises as to which entity (the distribution company or the AGS) would bill the customer.

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<sup>9</sup> Customer preference for one bill was demonstrated in telephone restructuring when competitive pressures compelled long-distance companies to go from separate billing to combined billing with the local exchange carrier.

If the distribution company bills the customer, AGSs would purchase billing services from the distribution company. If the AGS does the billing, the distribution company would bill the AGS rather than the end-use customer. Under this scenario, the AGS, instead of the Board, would determine how distribution charges would be allocated to end-use customers in Iowa.

Another option would let the market dictate whether the customer receives one or two bills. Under this approach, the AGS would choose between providing its own billing services or purchasing billing services from the distribution entity under a regulated tariff. Tariffed rates would ensure nondiscriminatory access to billing services provided by the distribution company.

Billing for Standard Offer Service: Standard offer service allows customers to remain with their current bundled electric service provided by their incumbent utility. The intent of standard offer service is to minimize disruption for current customers content with their existing service.

However, customers must be able to compare prices for generation in order to determine whether they want to stay on standard offer service. Therefore, the bill must conspicuously reveal the generation component of current bundled rates for comparison purposes.

Additional Protections: The Iowa Administrative Code 199-20.4 provides the following additional protections for consumers:

- IOWA ADMIN. CODE 199-20.4(11) *Payment arrangements* - Requires utilities to engage in reasonable payment agreements with delinquent residential customers.

- IOWA ADMIN. CODE 199-20.4(12) *Bill payment terms* - Provides for budget billing of residential customers and other general payment terms and conditions.

Electricity is an essential service which should be available to all customers on reasonable terms and conditions. Continuation of any protections which enhance the universal availability of electric service, such as these billing procedures, should be considered for residential and small commercial customers.

In addition, written standardized contracts should be considered for residential and small commercial customers participating in the market. These contracts would be with either aggregators or suppliers and would contain all the terms of the sale such as unit price, length of the contract, and other pertinent information. Standardized aggregator and supplier contracts for small customers could require Board approval. Contracting creates an obligation to serve and, as such, promotes the goal of universal service. In addition, written contracts could prevent slamming.

Provisioning of Metering and Billing Services: The Market Structure Team is addressing whether the provisioning of metering and billing services can be opened to alternative suppliers. Board rules governing metering and billing may need to apply to all entities providing these services.

## **Environmental Disclosure**

In its Order Adopting Pilot Project Guidelines for MidAmerican Energy Company, issued February 10, 1998, the Board required that suppliers who make claims about renewable energy or “green” power provide a percentage breakdown of

their generation fuel types in pie chart format. If environmental disclosure is desired, Iowa Admin. Code 199-20.4(1) could be interpreted to require that alternative generation suppliers and aggregators (through the requirements of the distribution company's tariff) provide specific information regarding rates, terms of service, fuel mix and environmental impacts. Iowa Admin. Code 199-20.4(1) *Customer Information* states that "(E)ach utility shall furnish such information as the customer may reasonably request."

The Iowa customer survey indicated customers value environmentally sound practices. However, cost and reliability of service are of paramount importance. Therefore, the need for extensive disclosure of environmental information may not be necessary, at least during this transition period. Another option would be to require all suppliers to conform to a code of conduct as part of licensing requirements. Disclosure of terms of service information, fuel mix, and air emissions could be included as requirements in the licensing "code of conduct."

### **Regional Versus Local Approach to Disclosure**

The six New England states (Maine, Vermont, New Hampshire, Massachusetts, Rhode Island and Connecticut) which comprise the New England Conference of Public Utility Commissions (NECPUC) collaborated in developing a model disclosure rule for New England. (See Appendix D, Model Disclosure Rule.)

NECPUC concluded that a uniform regional approach to disclosure is in the public interest for two reasons. First, a uniform approach will assist consumers in comparing suppliers' offers, thereby enabling consumers to make informed decisions about electricity suppliers in the region. Second, such uniformity will

reduce supplier expenses attributable to compliance with different state requirements which, in turn, will lower the cost of electricity in the region.<sup>10</sup>

It appears that regional approaches to disclosure requirements have support in other areas of the nation. For example, the Montana PUC has drafted rules that require alternative suppliers to follow the Oregon Office of Energy's disclosure guidelines. Oregon is also part of a group of eleven western states and two Canadian provinces collaborating on uniform disclosure requirements.

A regional approach could be beneficial in several ways. First, a standard format for suppliers to follow can lead to cost efficiencies for the supplier. This would have the result of lowering prices for supply. Second, if a customer has information presented in a standard manner, they need not spend excess time reviewing/comparing competitive offers.

## **CUSTOMER PROTECTION ISSUES**

### **Introduction**

A large number of related issues fall under the broad heading of consumer protection. The Customer Education Team was assigned some of these consumer protection issues including: (1) "slamming," or unauthorized switching of customers to another generation supplier; and (2) customer "bill of rights."

Other states have adopted or recommended many possible remedies or mechanisms to ensure customers are treated fairly, including:

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<sup>10</sup> The Regulatory Assistance Project Issuesletter, May 1998, NECPUC Model Disclosure Rule, page 1.

- Advertising standards or “truth in advertising” provisions
- Aggregation of customers - rules
- Customer privacy safeguards
- Cancellation provisions
- Customer remedies for damages
- Consumer alerts about fraud or deceptive practices
- Disclosure of terms, conditions and generation supplier history
- Disclosure of fuel mix and environmental impacts
- Nondiscriminatory access to generation service
- Notices to customers - rules
- Procedures for resolution of disputes or consumer complaints
- Refusal of service - rules
- Registration of generation suppliers
- Termination of service provisions
- Written contracts for generation service, either at the time of the offer of service, or as a follow-up.

The Universal Service and Reliability staff teams are addressing many of these issues.

### **Unauthorized Switching of Service - “Slamming”**

Slamming is the practice of switching a customer from one service provider to another under false pretenses or without the customer’s permission. State reports, that have been reviewed, all concur that the utility commissions need legislation to grant them authority to initiate rules to protect the consumer against slamming and fraudulent practices relating to slamming under electric restructuring.

Various mechanisms are possible to deal with unauthorized switching, including:

- Requirements that switching of generation suppliers be authorized by written permission from customers.
- Electronic customer authorization of switching.

- Third-party verification of verbal customer authorization for changes in suppliers.
- Confirmation of a switching decision by customer signature on a supplier form.
- Requirements that generation suppliers allow customers to rescind their decision to switch, within 3 to 5 days after switching or at some point after receiving their first bill, such as 30 days after switching.
- Procedures for investigating slamming and penalties for proven cases of slamming.

The subsection of this report on metering and billing suggests standardized written contracts for residential and small commercial customers. These contracts could be one way to prevent slamming in a restructured electric industry.

## **Customer Bill of Rights**

The states which staff researched frequently embedded various customer rights in their statutes or orders providing for electric industry restructuring. For example, Delaware states:

Consumers must have easy access to affordable, accurate, and comprehensible information so that they can make informed decisions about the supplier and the services they choose. Informational materials should be readily available, tailored to customer type, and disseminated through multi-media intended to reach different customer groups.<sup>11</sup>

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<sup>11</sup> Restructuring the Electric Utility Industry in Delaware, A report to the House of Representatives of the 139th General Assembly from the Delaware Public Service Commission. PSC Docket No. 97-229, January 27, 1998, pages 12 & 22.

Or, in the case of Illinois, educational materials provided as part of a Consumer Education Program must include concise explanations of:<sup>12</sup>

- The structure of the electric utility industry;
- Choice available to consumers;
- Customer's rights, risks, and responsibilities;
- Legal obligations of alternative retail electric suppliers;
- Services that may be offered on a competitive basis;
- Services an electric utility is required to provide;
- Components of a bill that could be received by a customer taking delivery services;
- Complaint procedures; and
- Additional information available from the Commission upon request.

Other states have adopted or recommended statements which describe the rights of customers in a competitive electricity industry. The Michigan staff report lists various customer rights, including customers':

- right to know;
- right to choice;
- right to fair dealing;
- right to redress;
- right to privacy;
- right to service quality;
- right to be served by a supplier complying with a code of conduct;
- and
- right to universal service.<sup>13</sup>

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<sup>12</sup> Illinois Electric Service Customer Choice and Rate Relief Statute, Sec. 16-117, signed December 16, 1997.

<sup>13</sup> Michigan Public Service Commission, Case No. U-11290, "Customer Focus Issues and Recommendations," a staff report filed October 13, 1997.

Vermont notes a “Consumer Bill of Rights has been proposed, as follows:<sup>14</sup>

- (1) Consumers shall have the right to know and control what they are buying;
- (2) Consumers shall have the right to know from whom they are buying;
- (3) Consumers shall have the right to know the full price of the goods and services that they are purchasing;
- (4) Consumers shall have the right to reasonable payment terms;
- (5) Consumers shall have the right to fair treatment by all providers, including clear and stable divisions of responsibility;
- (6) Consumers shall have the right to join with other consumers for mutual benefit;
- (7) Consumers shall have the right to impartial resolution of disputes;
- (8) Consumer shall have the right to reasonable consideration for service failure or missed appointments;
- (9) Consumers shall have the right to participate in the design and evaluation of restructuring;
- (10) Consumers shall have the right of access to service regardless of disputes with other retail providers of electricity as long as distribution charges are paid;
- (11) Consumers shall have the right to be free of improper discrimination in price, terms, conditions, or offers.

The apparent purpose of a Customers’ Bill of Rights would be to help customers understand both the new competitive industry and how they could seek resolution of problems which might arise. The states which are contemplating adoption of statements of customers’ rights may be taking the view that customers who are given this information in one concise statement will be more informed and hopefully more effective consumers.

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<sup>14</sup> Vermont Public Service Board, Docket No. 5854, “The Power to Choose4: A plan to Provide Customer Choice of Electricity Suppliers,” a report and order issued December 30, 1996.

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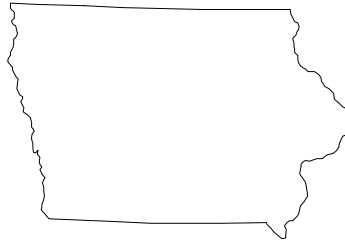
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# **Iowa Electric Utility Customer Survey**

## **Perceptions of Electric Utility Restructuring**



### **Summary of Findings**

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**September 1998**

## **Introduction**

This report summarizes the findings of a statewide survey designed to assess electric utility customers' knowledge of and attitudes toward restructuring in the electric utility industry. The primary purposes of the project were to: 1) gauge the amount of knowledge, if any, that customers had about potential changes in the electric utility industry; 2) measure their overall knowledge and attitudes about the electric utility industry and their current providers; 3) assess the primary factors they believe would be important in choosing a provider if choice were possible, and; 4) assess respondents' views about the most desirable and effective means of communicating information to customers. Two separate samples were included in the project. The first included residential customers and the second, small business customers. The following sections outline the methods and main findings of these surveys. The questionnaires are included in Appendix A. (Note: This electronic version of the report does not include the appendix containing the survey questionnaires. Contact the Iowa Utilities Board at 515-281-7051 for more information.)

## **Methods**

In collaboration with the Iowa Utilities Board Staff, the questionnaires were developed to ascertain the desired information while attempting to minimize any bias or cueing of the respondents. For purposes of this project, "small business" was defined as a business with fewer than 50 employees and did not include family farms. Utilizing a computer-assisted telephone interviewing (CATI) system at the University of Iowa Social Science Institute, the survey design utilized random-digit dialing (RDD) techniques to provide a representative sample of adults in Iowa. Within the households or businesses, interviewers asked to speak with the person most likely to make decisions regarding electric utility service.

The data collection for the Residential sample began on June 8, 1998 and was completed on July 27, 1998. The data collection for the Small Business sample began on June 22, 1998 and was completed on August 3, 1998. The interview averaged 17 minutes in length. The cooperation rate (proportion of identified respondents who agreed to participate) was 50% for the Residential sample and 52% for the Business sample. The overall response rate (proportion household or business contacts that resulted in a completed interview) was 45% for the Residential sample and 48% for the Small Business sample. Interviewing was interrupted on

June 29, when a violent windstorm caused widespread damage to utility lines throughout central and eastern Iowa. Many utility customers went without power for up to six days. Because this situation had the potential to bias responses to the interviews, data collection was suspended for one week, to allow customers to recover from the power outage.

## Results

### Sample Characteristics

As shown in Table 1, the residential sample provided a broad representation of the Iowa adult population. The sample is compared with the 1990 Census figures for Iowa. These comparisons should be viewed with some caution, however, since the census figures are almost 10 years old. The sample therefore, may bear a closer resemblance to Iowa's current population on some variables and may be farther away from the true population on others than is depicted in this comparison.

**Table 1: Residential Sample Comparison with Iowa Population**

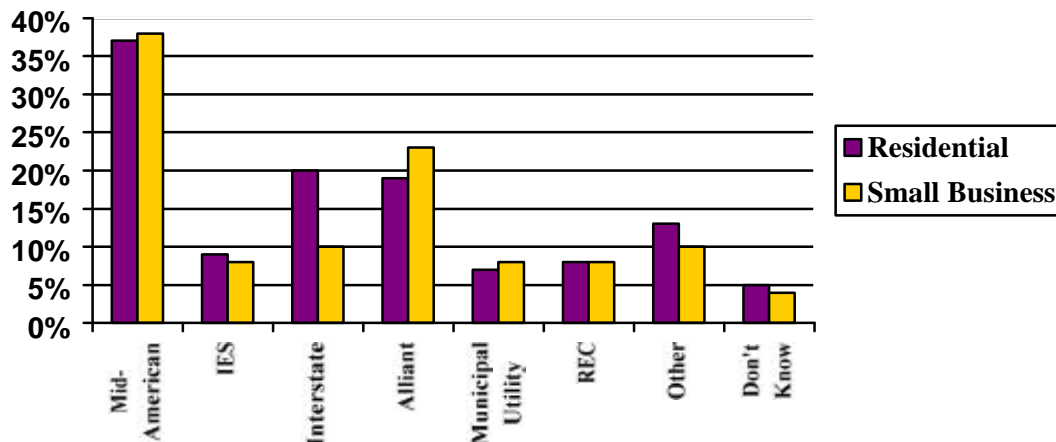
	Sample	1990 Iowa Census
<b>Gender</b>		
Male	44%	48%
Female	56%	52%
<b>Age</b>		
18-24	6%	13%
25-34	16%	21%
35-44	19%	19%
45-54	21%	13%
55-64	13%	12%
65+	24%	21%
<b>Race/Ethnicity</b>		
White	96.4% %	96.6%
Black	1.4%	1.7%
Asian	0.4%	0.9%
American Indian	0.4%	0.3%
Hispanic	0.9%	1.2%
Other	0.1%	0.1%

The Residential sample included respondents in 98 of Iowa's 99 counties. Small businesses were included in 95 of 98 counties.

## Perceptions and Evaluation of Current Providers and Service

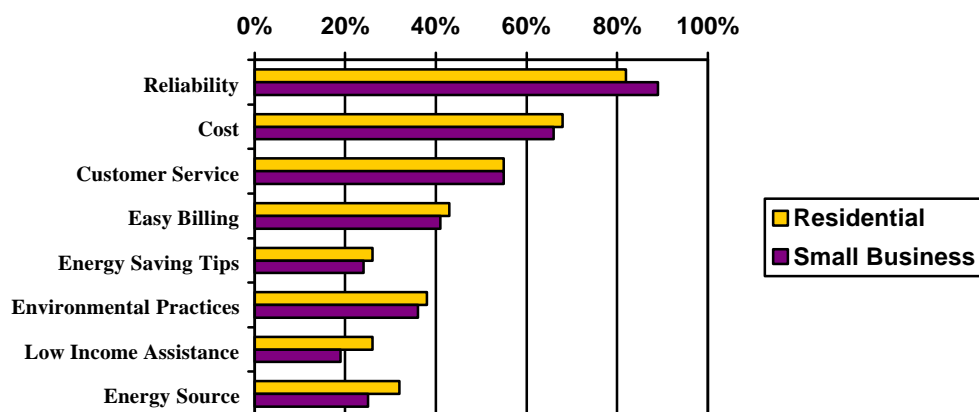
The overwhelming majority of the respondents in both samples indicated that they paid the electric bill for their home or business each month (Residential – 93%; Small Business – 76%). Figure 1 represents the reported providers for each sample.

**Figure 1: Company Providing Electricity to Home or Business**



Mid-American Energy was cited most frequently by both groups as their current electricity provider. Both groups were asked to rate the importance of a number of dimensions of electric utility service on a 5-point scale. As shown in Figure 2, substantially higher percentages of both groups cited cost (R=68%; SB=66%) and reliability (R=82%; SB=89%) as very important aspects of than they did the other dimensions listed.

**Figure 2: Importance of Aspects of Electric Utility Service**  
**% Indicating “Very Important”**



On a similar 5-point scale from “not at all satisfied” to “very satisfied,” respondents reported relatively high satisfaction with their current providers with 52% of the Residential sample and 47% of the Small Business respondents indicating that they were very satisfied. Only 1% of each sample reported that they were not at all satisfied.

### Knowledge of Electricity Usage and Billing Content

The overwhelming majority of both groups reported that they did not know the rate they paid per kilowatt hour for electricity.

**Figure 3: Knowledge of Kilowatt Rate per Hour**



Few aspects of the monthly billing were reportedly read by respondents. Approximately 30% of both groups indicated that they read no specific part of the billing or were not sure what they typically read. The most frequently cited category of information was monthly usage (First Mention: R=18%; SB=12%). Respondents who did not mention that they read a specific category of information were asked if the category was included on their bill, and if so, how useful they thought the information was to them. Table 2 provides the frequency of “yes” responses for these items and the mean “usefulness” rating on a 5-point scale where 1 was “not at all useful” and 5 was “very useful.”

**Table 2: Inclusion of Billing Categories and Ratings of Usefulness - Residential**

	Included?	Usefulness
Unit costs or rates such as price per kwh	83%	3.33
Monthly usage	85%	3.90
Daily usage	49%	3.29
Usage compared to a year ago	39%	3.77
Average temperatures compared to a year ago	40%	3.33
Minimum charge	42%	3.20
Cost breakdown (e.g., base charge versus taxes)	64%	3.51
Educational Information, including inserts	78%	3.01

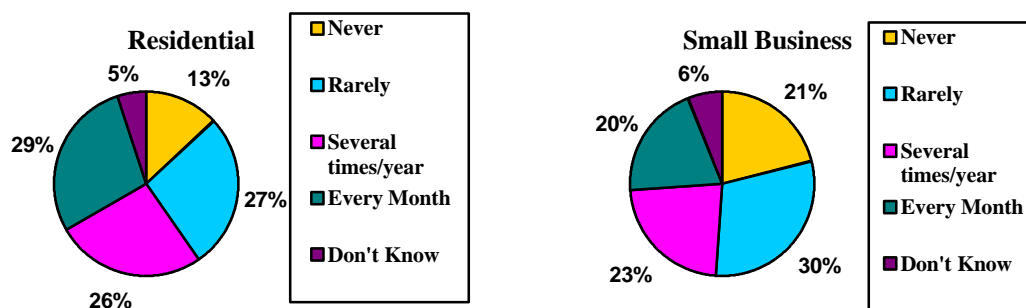
**Table 3: Inclusion of Billing Categories and Ratings of Usefulness – Small Business**

Information Category	Included	Usefulness
Unit costs or rates such as price per kwh	86%	3.35
Monthly usage	86%	3.81
Daily usage	48%	3.35
Usage compared to a year ago	38%	3.61
Average temperatures compared to a year ago	38%	3.23
Minimum charge	38%	3.01
Cost breakdown (e.g., base charge versus taxes)	66%	3.48
Educational Information, including inserts	76%	2.91

There was wide variability in the categories of information reported as being present on respondents' billing statements. Cost, monthly usage and educational information, and cost breakdown were cited as present by a majority of respondents. Other categories, however, were not endorsed as being present by the majority of respondents. In some cases this may reflect actual differentiation across billing statements. In others, it may simply reflect that fact that respondents do not carefully read their bills.

When asked if they read their bill inserts, a small segment of both groups indicated that they read the inserts monthly. The distributions for the two groups are depicted in Figure 4.

**Figure 4: Frequency of Reading Bill Inserts**



As shown in Figure 4, the majority of the Small Business sample and 40% of the Residential sample report that they read their bill inserts rarely or never.

### Overall Perceptions of the Electric Utility Industry

In general, respondents in both groups evidenced positive views of the electric utility industry. Respondents' mean agreement ratings to each of several attitude statements are

presented in Table 4. Respondents were asked to respond on a 5-point scale from “strongly disagree” (1) to “strongly agree” (5).

**Table 4: Mean Attitude Ratings Toward the Electric Utility Industry**

Attitude Statements	Residential	Small Business
Electric utilities charge their customers fair prices	3.23	3.17
Electric utilities provide useful information to customers	3.63	3.44
Electric utilities provide a reliable supply of energy	4.33	4.33
Electric utilities are not very concerned about keeping electric rates low	3.12	3.14
Electric utilities are not very committed to energy conservation programs	2.73	2.71
Electric utilities are tightly regulated by the government	3.28	3.21
Electric utilities have a negative impact on the environment	2.59	2.56
Electric utilities work hard to minimize any danger electricity poses to the public	4.06	4.13

For items with a positive valence, respondents tended to agree with the statements. For those representing negative statements, respondents shifted their responses to more disagreement; thus indicating a positive view of the electric utility industry. The only negative item where the mean rating was not on the “disagreement” end of the scale was the statement that “electric utilities are not very concerned about keeping electric rates low.”

### Awareness of and Perceptions of Potential Changes in the Electric Utility Industry

Only about one quarter of the respondents in each group reported that they were familiar with changes in the electric utility industry that are occurring in various states (Figure 5).

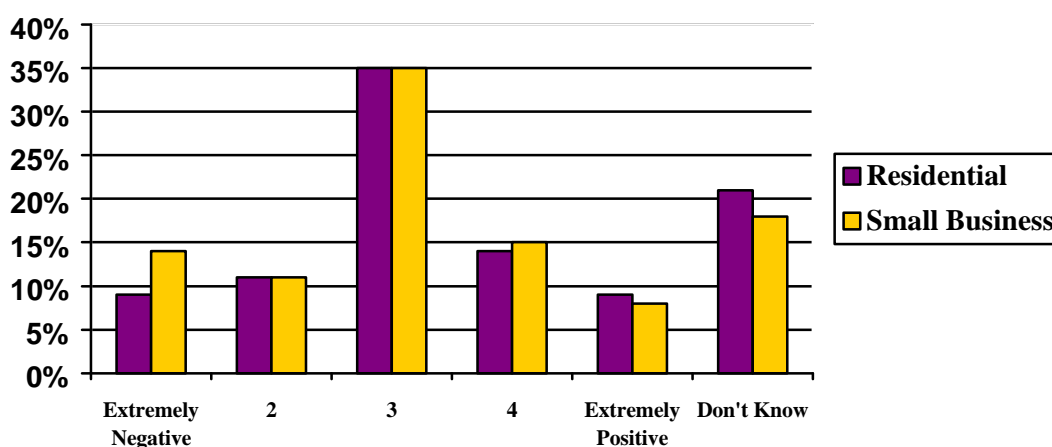
**Figure 5: Familiarity with Changes in Electric Utility Industry**



For those who indicated that they were familiar with changes, the most frequently cited sources were newspapers (cited by more than 50% of respondents in each sample) and TV (cited by approximately 40% of each sample).

Before being provided with any definition of potential changes, respondents were asked to describe their overall impression of any potential changes on a 5-point scale from “extremely negative (1) to “extremely positive” (5). The distribution of responses for the two samples is presented in Figure 6.

**Figure 6: Initial Impression of “Potential Changes in the Electric Utility Industry”**



Supporting their responses to the previous question on familiarity, the respondents in both samples showed no clear positive or negative attitude but rather, they expressed a range of responses with the highest frequencies falling on the midpoint of the scale and in the “don’t know” category.

Because numerous terms have been used to describe the move toward competition among providers of electric service, three questions were posed to respondents in order to assess any existing associations. Respondents were asked for their spontaneous responses with no prompting by the interviewers. The terms or phrases were: 1) “competition among electric providers;” 2) “deregulation of the electric utility industry;” and, 3) “restructuring the electric utility industry.” To minimize any order effects that might bias responses, these three items were presented in a random order across respondents. Tables 5-7 provide the frequencies of the first responses that were mentioned. Those responses cited by at least 3% of respondents in at least one group are included.

**Table 5: Reactions to “Competition Among Electric Providers”**

<b>Response Categories</b>	<b>Residential</b>	<b>Small Business</b>
More Choices	04%	08%
Rates Go Down/Decrease	18%	27%
Rates Go Up/Increase	06%	04%
Improvements in Service	02%	03%
Don’t Know/Refused to Offer Response	27%	28%

For this item, the most frequently cited response other than “don’t know” was that rates would decrease. This response was offered most frequently by both groups but was cited more frequently by the Small Business respondents than the Residential respondents.

**Table 6: Reactions to “Deregulation of the Electric Utility Industry”**

<b>Response Categories</b>	<b>Residential</b>	<b>Small Business</b>
More Choices	03%	05%
Deregulation of Electric Companies	03%	03%
Rates Go Down/Decrease	03%	08%
Rates Go Up/Increase	11%	13%
Don’t Know/Refused to Offer Response	35%	26%

In contrast to responses to “competition,” Table 6 shows that in this case, although a substantial percentage of respondents were again unwilling or unable to respond, those who did tended to provide reactions that were opposite in tone. That is, rather than associating “deregulation” with lower rates, there was a tendency by both groups to view the term “deregulation” with higher rates.

**Table 7: Reactions to “Restructuring of the Electric Utility Industry”**

<b>Response Categories</b>	<b>Residential</b>	<b>Small Business</b>
More Choices	02%	03%
Restructuring of the Electric Utility Industry	02%	03%
Mergers of Electric Companies	10%	15%
Rates Go Down/Decrease	03%	03%
Rates Go Up/Increase	07%	10%
Don’t Know/Refused to Offer Response	32%	31%

In this case, respondents in both groups were most likely to cite “mergers” as their first association with “restructuring.” In addition, an increase in rates is associated with “restructuring” more frequently than is a decrease in rates.

Respondents in the Small Business Sample were asked whether or not they had been approached with information or offers concerning deregulated electric utilities from either current or potential energy providers. Only 5% of the group indicated that they had been approached.

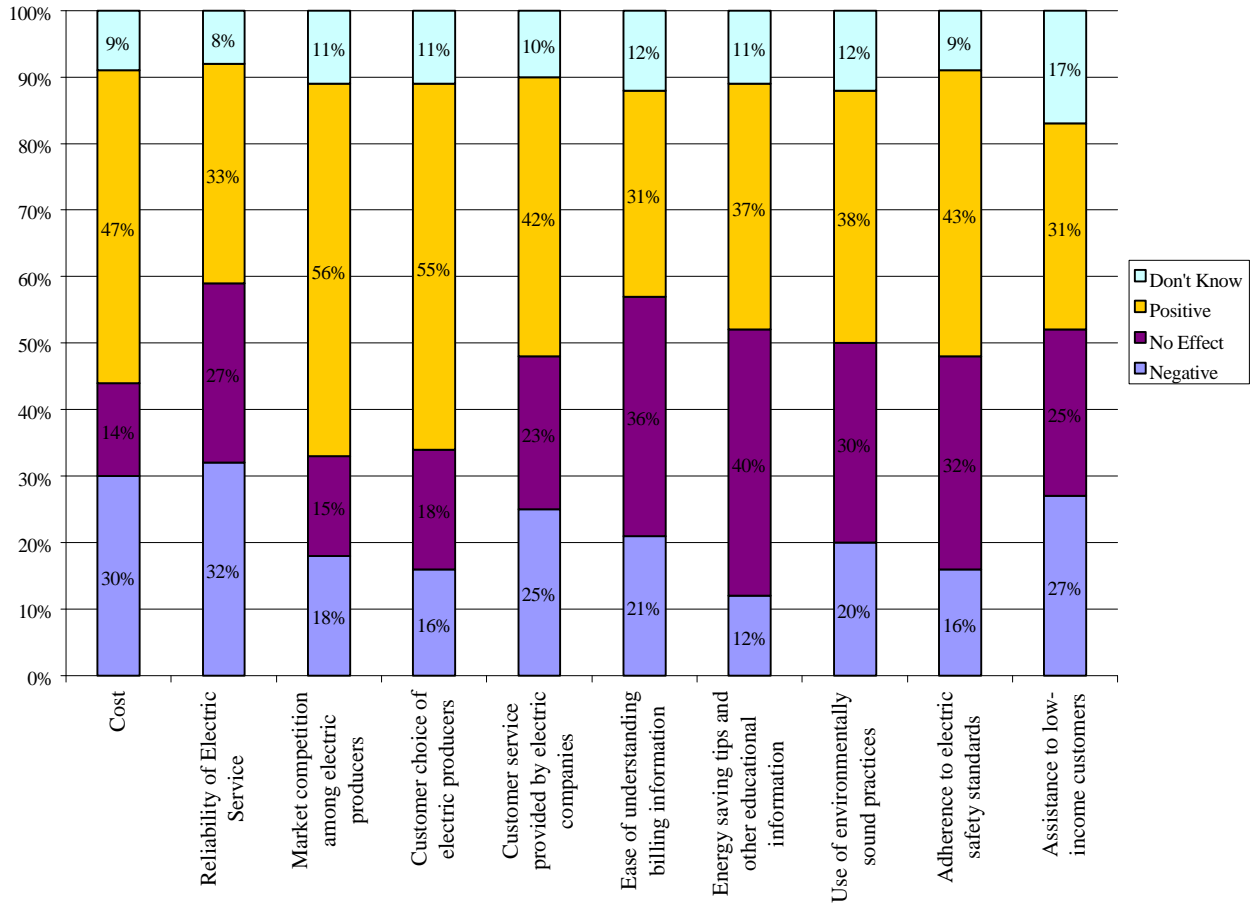
At this point in the interview, respondents were provided with the following information about potential changes in the electric utility industry:

*If potential changes in the electric utility industry take place, the following may occur:*

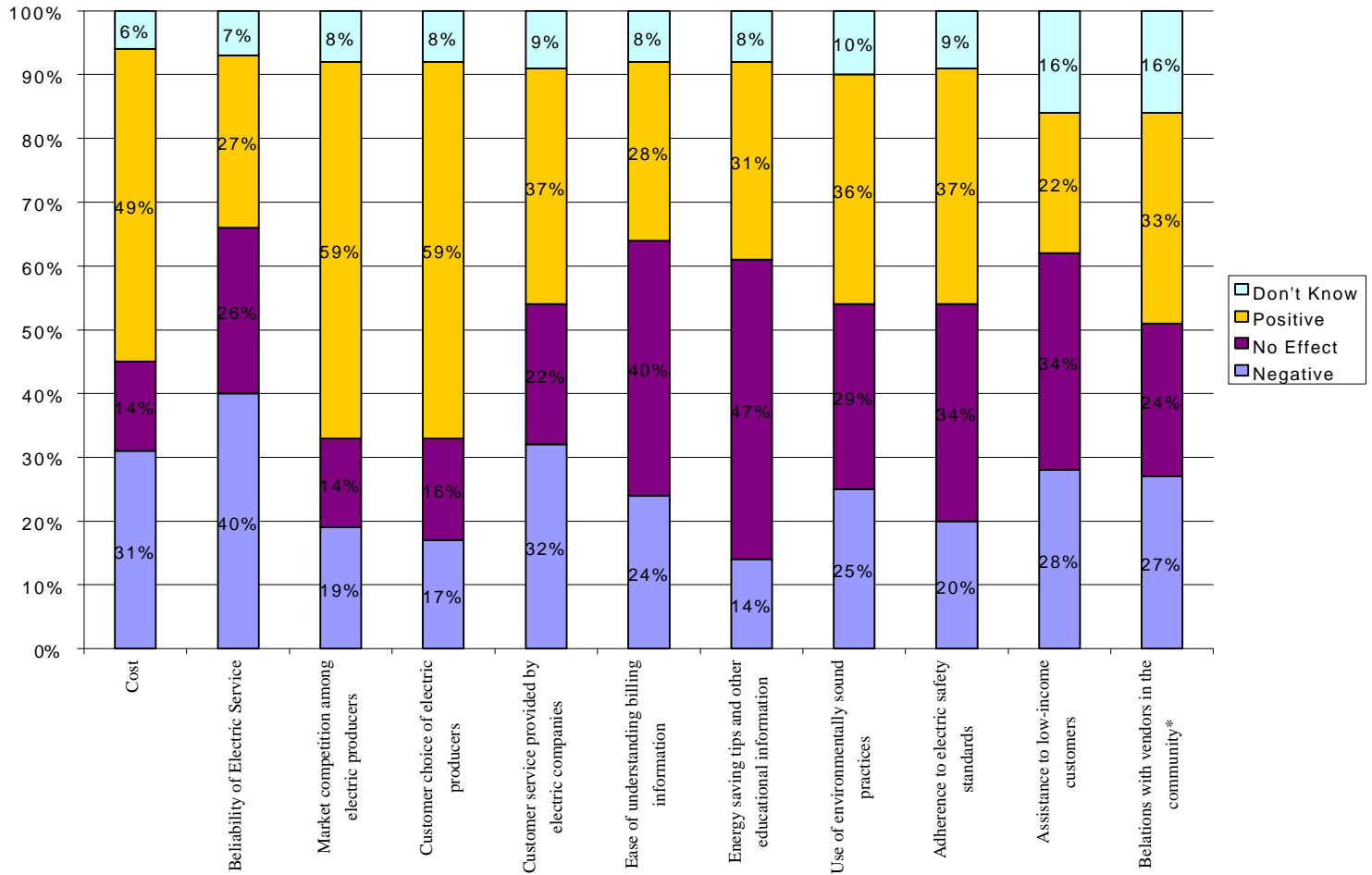
- 1) customers will have a choice of the company which produces their electricity*
- 2) electricity producers may be from outside you community or the state*
- 3) prices for electricity from producers will be set by the market*
- 4) the utility which owns the wires and distributes electricity to customers will continue to be regulated and will maintain the wires and restore service in emergencies*

Respondents were then asked to indicate whether these changes would have a positive, negative, or no impact on a number of aspects of electric service. Figures 7 and 8 provide responses to these items.

**Figure 7: Residential Customers' Assessments of Effects of Deregulation**

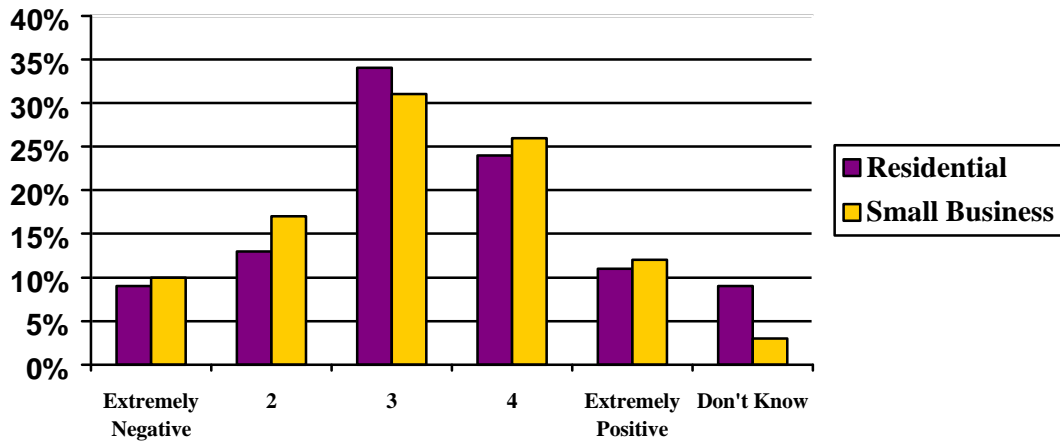


**Figure 8: Small Business Customers' Assessment of Effects of Deregulation**



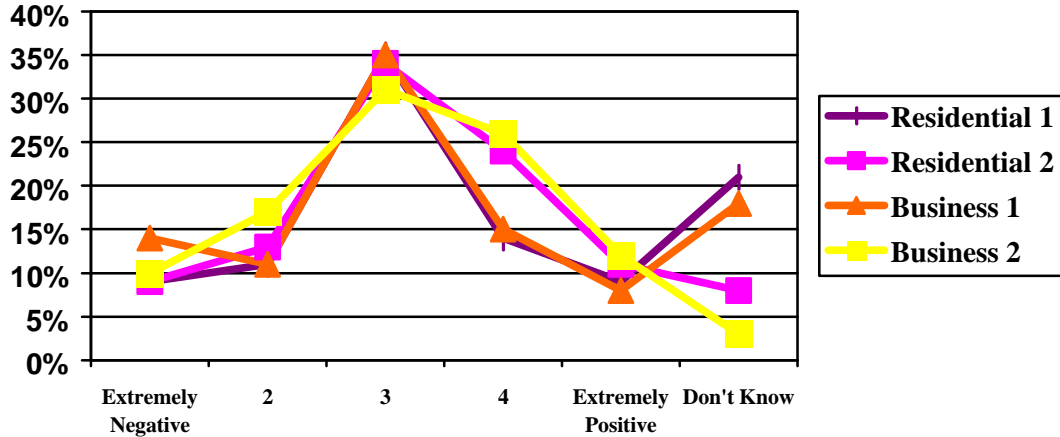
Respondents were asked a second time to provide their overall impression of the potential changes in the electric utility industry that were defined by the interviewer. These responses are presented in Figure 9.

**Figure 9: Post-Definition Impression of “Potential Changes in the Electric Utility Industry”**



The change in impression across the two measurements is depicted in Figure 10.

**Figure 10: Change in Impression of “Potential Changes in the Electric Utility Industry”**



As shown in Figure 10, the groups were strikingly similar at both measurements. At the second measurement, a lower proportion said that they did not know what their overall impression was and higher proportions expressed a moderately positive impression of “deregulation.” However, the highest percentages still fell at the midpoint of the scale.

Those who expressed either positive or negative impressions were asked, in an open-ended format, to provide what they thought would be the most beneficial or most detrimental aspects of the potential changes, respectively.

For Residential respondents, the most frequently cited detrimental effects were increased costs (37%), followed by poor service (20%) and increased confusion (15%). Problems with reliability were mentioned by 11% of the respondents. The positive effects mentioned by Residential respondents were primarily in the area of lower costs (58%) and more choice/competition (30%).

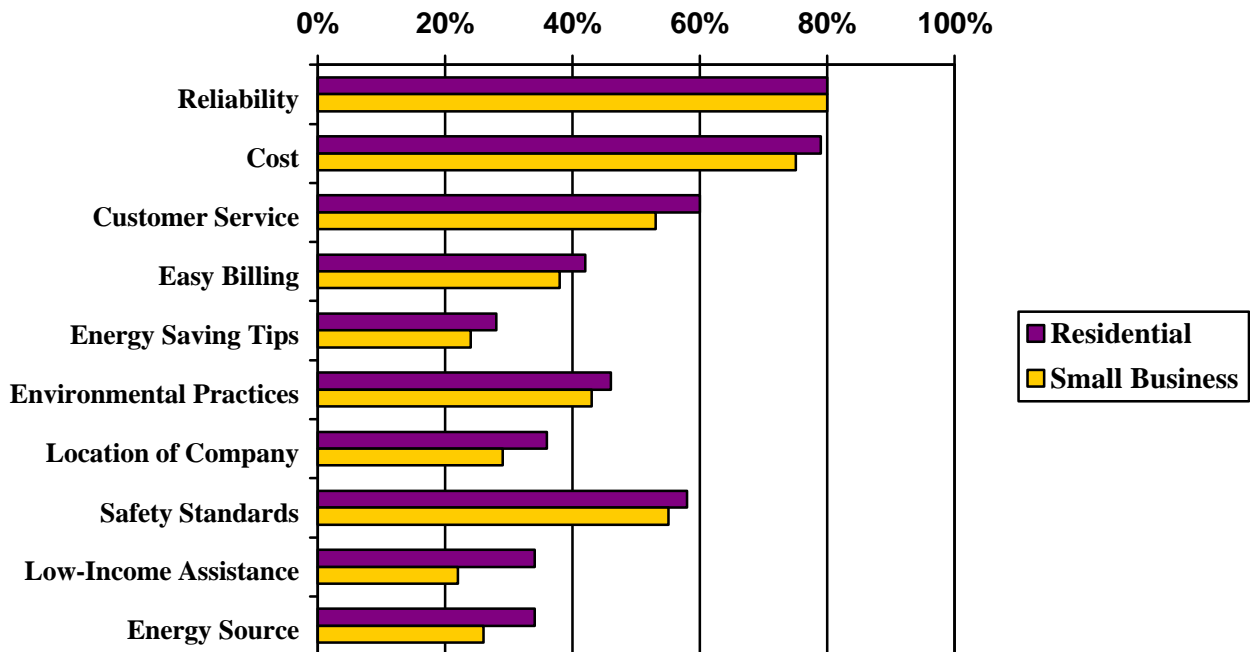
For the Small Business sample, the most frequently cited detrimental effect was increased costs (53%), followed by concerns about increased chaos and confusion (17%). Positive effects were lower costs (75%) and competition/choice (18%).

When asked which customers they thought would benefit most from the potential changes, a large majority of both groups (R=66%; SB=69%) chose large industrial customers as those who would benefit most.

### **Decision-making in an Environment of Potential Changes in the Electric Utility Industry**

In this section of the interview, respondents were also asked to rate the importance of a number of factors in choosing an electricity provider. Figure 11 provides the percentage of respondents in each group who stated that the factor would be “very important” in their choice.

**Figure 11: Importance of Factors in Choosing an Electricity Provider**  
**% Indicating “Very Important”**



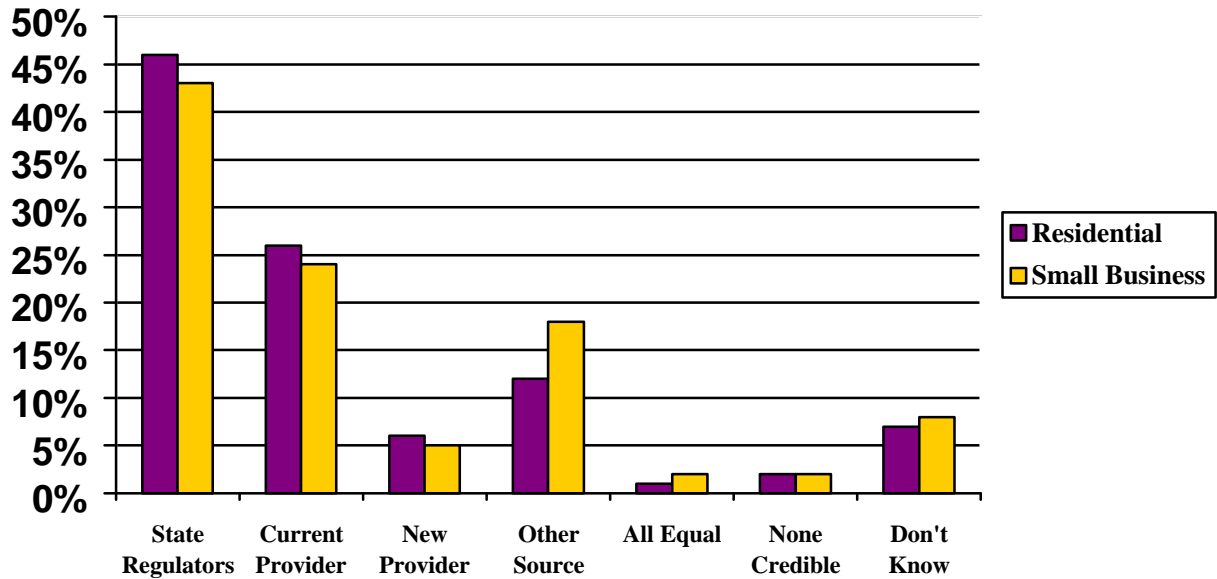
For both groups, reliability was rated as very important by the highest percentage of respondents with approximately 8 in 10 respondents indicated that this would be a very important factor. Cost was rated as very important by almost as high a percentage of each group.

When asked which factor would be the most important in their decision to select an electricity producer, cost was selected by the majority of both groups (R=60%; SB=56%). Reliability was cited next most frequently (R=17%; SB=24%).

### **Dissemination of Electric Utility Information to Customers**

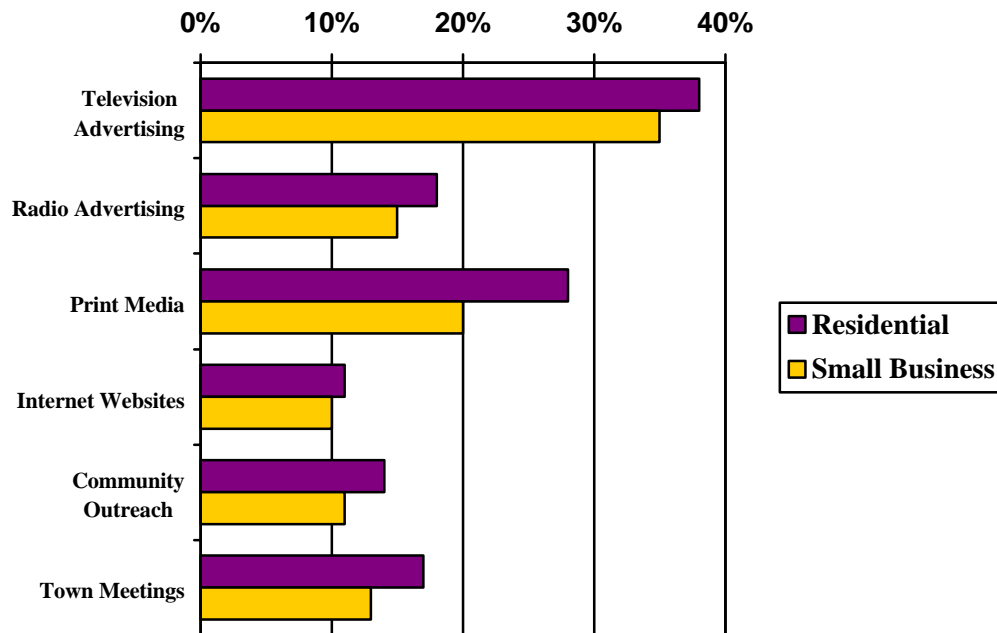
When asked about which source of information they would find most credible regarding potential changes in the electric utility industry, higher percentages of respondents chose state regulatory agencies than current or potential new electricity providers. Responses to this question are presented in Figure 12.

**Figure 12: Most Credible Information Source**



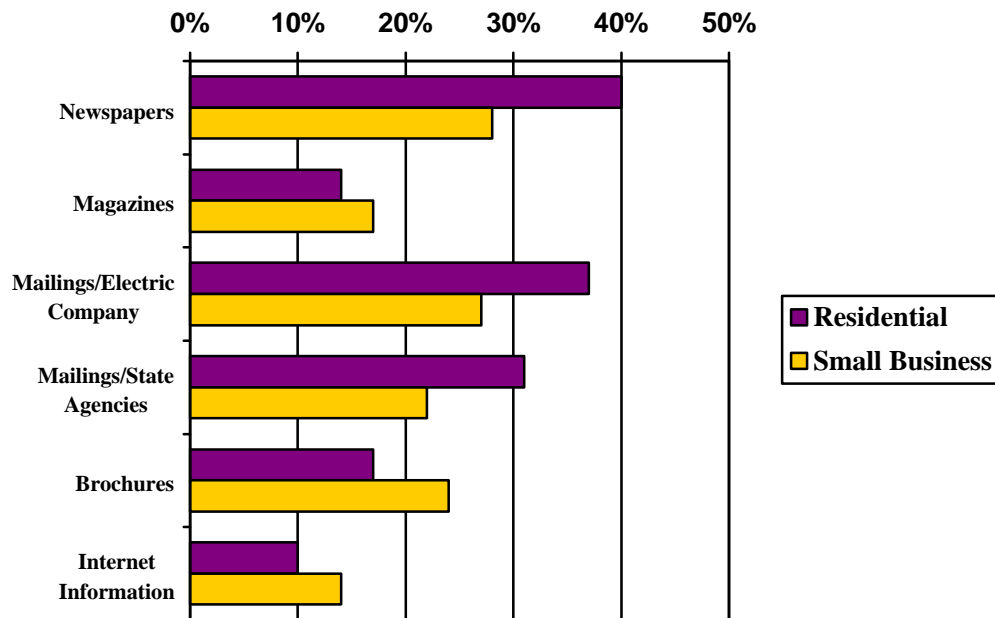
Respondents were also asked to rate the effectiveness of various communication media in transmitting information about changes in the electric utility industry. The percentages of respondents indicating that the medium would be “very effective” are presented in Figure 13.

**Figure 13: Effectiveness of Media in Communicating Information about Changes in the Electric Utility Industry -- % Indicating “Very Important”**



Both television and print media were deemed very effective by higher percentages of respondents than were other types of media. For respondents indicating that print media would be an effective medium of communication, an additional question was posed to ascertain which types of print would be most effective. The results of this question are presented in Figure 14.

**Figure 14: Effectiveness of Print Media -- % Indicating “Very Important”**



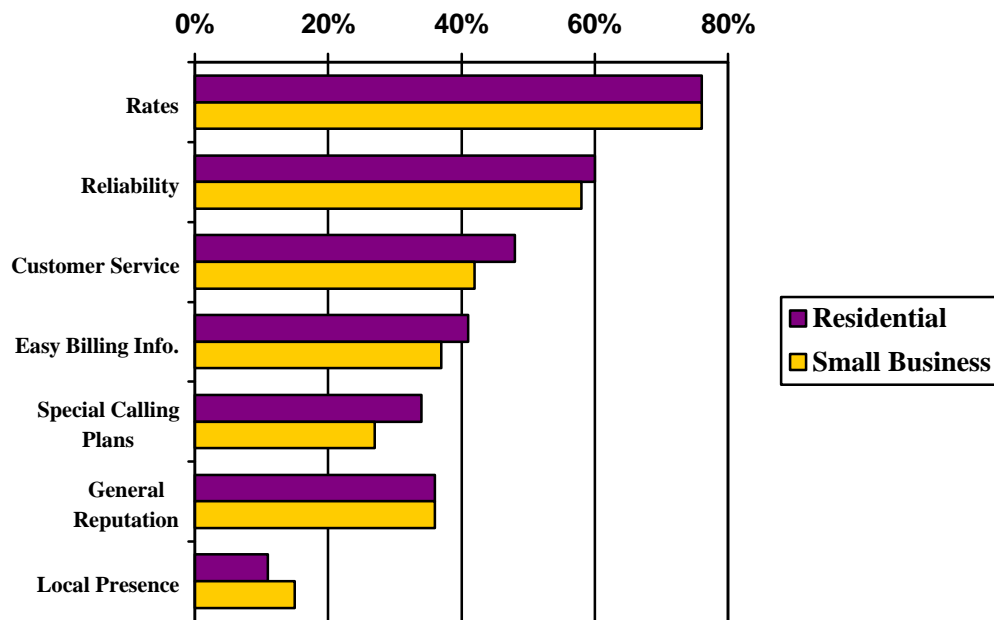
Newspapers and direct mailings were deemed very effective types of print media by higher percentages of both groups than were other options.

### **Experiences with Long-Distance Telephone Deregulation Effects**

As proxy measures for potential consumer behavior in a restructured electric utility industry, several questions were posed to assess their choices and attitudes toward long-distance telephone service in the last few years.

Half of the Residential respondents (50%) and 54% of the Small Business sample indicated that they had actively selected a long-distance provider rather than remaining with their original provider. Figure 15 provides importance ratings for six factors that were presented as possible factors in the respondents' choice of long-distance provider. Percentages of respondents rating the factor as “very important” (5 on the 5-point importance scale) are presented.

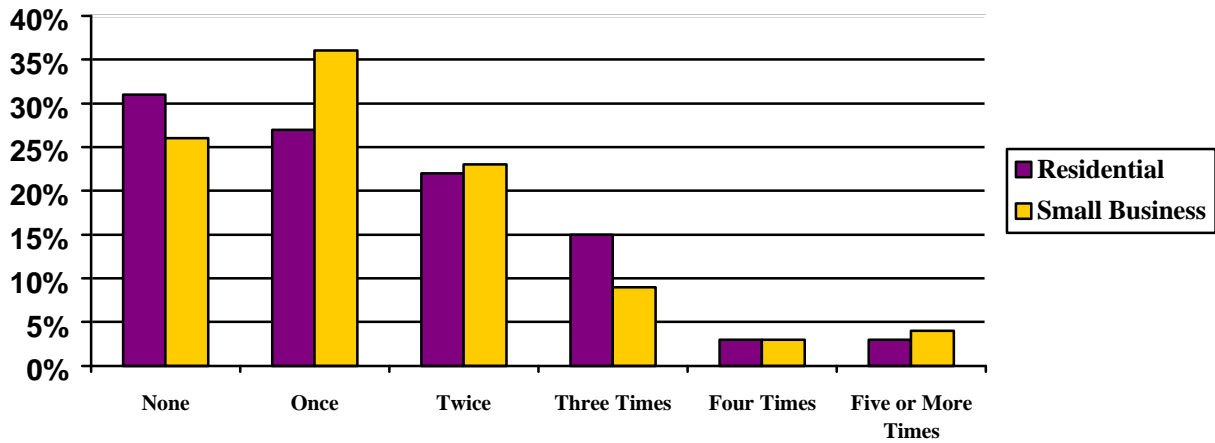
**Figure 15: Importance of Factors in Choosing Long-Distance Provider**  
**% Indicating “Very Important”**



Rates and reliability were judged to be very important factors in selecting a long-distance provider by the majority of respondents in both groups. The company having a local presence or community involvement was considered very important by less than 20% of the groups.

Of those respondents who had selected a long-distance provider, the majority had switched providers at least once during the past two years. The distribution of responses to this question are provided in Figure 16.

**Figure 16: Frequency of Switching Long-Distance Provider in Past 2 Years**

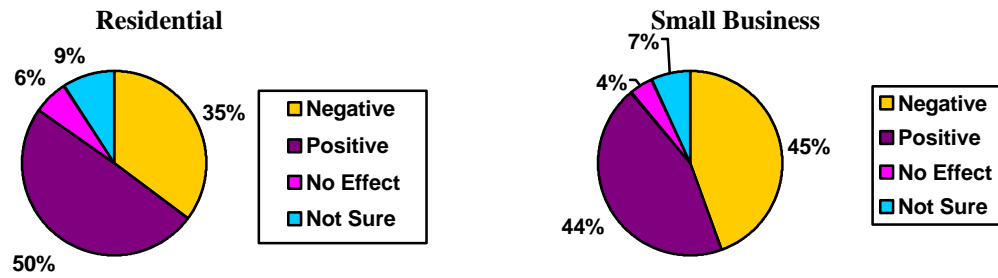


Businesses were more likely to have switched more often than those in the Residential sample. Although the vast majority of respondents had switched only once or not at all, 20% of the Residential sample and 17% of the Small Business sample had switched three or more times in the last two years. Lower rates were cited by the majority of both groups (R=55%; SM=68%) as the primary reason that they switched companies.

Respondents indicated that they received information about different long-distance companies primarily from telephone solicitations (R=33%; SB=36%), direct mailings from the long-distance companies (R=17%; SB=20%), word-of-mouth communications (R=15%; SB=17%) and TV ads (R=13%; SB=5%).

Overall respondents tended to be split in their assessment of the impact of deregulation on long-distance phone service. Figure 17 provides the responses to this question.

**Figure 17: Attitude Toward Long-Distance Deregulation**



For the Residential sample, half of the respondents viewed long-distance deregulation as positive while 35% viewed it as negative. For the Small Business sample, approximately equal proportions viewed the effects as positive as they did negative.

# IOWA RESTRUCTURING EDUCATION STUDY AND REPORT

## CUSTOMER EDUCATION PROGRAM FOR ELECTRIC RETAIL ACCESS PILOT PROJECT

Eos Research & Development Corporation

Ed Holt and Associates, Inc.

Frank A. Magid & Associates



September 1998

# DRAFT

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(Note: The report by the Eos Research and Development Corporation was marked "DRAFT" for purposes of issuing an initial draft of the Customer Education Report. Subsequently, the final report was issued with the Eos "DRAFT" report, which effectively constitutes a final version. No later version of the Eos report will be forthcoming.)

## **1. Introduction and Summary**

### **Introduction**

The state of Iowa is conducting an ongoing inquiry into emerging competition in the electric industry. As part of that effort, MEC has proposed a retail access pilot project. To support the pilot project the IUB and IEC have initiated a Customer Education Program for Electric Retail Access Pilot Project. The goal of the Customer Education Program is development of an education plan for the retail access pilot area that will "...adequately prepare these customers for the marketing activities of alternative energy suppliers and to make informed choices." The first step of developing the education plan was to study the research conducted by national and state organizations and to review the experience with retail access in other states. This study reports the results of this initial research.

The primary source of national research was the results of Consumer Preferences from Focus Groups accomplished by the National Council of Competition and the Electric Industry (NCCEI) and the "Baseline Survey, Consumer Knowledge, Practices, and Attitudes Electric Utility Deregulation and Consumer Choice", also conducted by NCCIE. Other valuable information came from surveys and focus group conducted by individual states and the Customer Education Plans (CEP) developed by individual states.

### **Summary of Study Results**

After reviewing the national and state research and experience with customer education, Eos has determined that restructuring educational needs and the materials prepared by states to fill those needs fall into three broad categories. These categories are:

1. **Awareness** that competition in the electric utility industry is occurring. This includes a basic knowledge that competition will offer an opportunity to participate in the retail access market and a select which company will be their electricity supplier. Awareness includes creating interest in and alertness to additional information that will be provided by various communication methods.
2. **Functional Knowledge** that provides understanding of increased customer roles in the new competitive environment and how the industry is changing to allow a competitive market. Functional Knowledge is background information on the electric utility industry that allows the customer to understand the changes that are occurring under competition relative to the regulated monopoly. It includes the roles of the various parts of the industry (generation, distribution, transmission, etc.). This knowledge will help customers understand how the changes will affect them and should relieve the basic fears, uncertainty, and doubts (FUD) that would prevent the consumer from deciding to participate in the competitive market.
3. **Skill Sets** that provide the ability to understand and evaluate competitive offers and make informed decisions. Skill sets provide methods and approaches to efficiently use Functional Knowledge to understand marketing information without feeling overwhelmed by the data and provide the confidence to make conscious decisions, not random guesses.

We found this grouping of educational needs provides a very useful framework when reviewing and analyzing previous research in electrical consumer education. We also found that this grouping is extremely useful when laying out the educational needs as a base for planning an educational program.

For almost a century, electric energy consumers' primary interaction with their electricity service provider has been to pay their bills. Introducing customer choice into such an industry is bound to create confusion. While electric utility consumers make competitive buying decisions every day, it appears that this experience in other markets does not prepare these customers to make informed choices in an electric retail access environment. Across the nation, electricity consumers are very unaware of what is going on in retail access, even when their state is in the process of restructuring. They are accordingly not attentive to articles in the electronic or print media and so do not routinely gain information on restructuring in their normal activities.

The consumer also lacks the basic knowledge about the electric industry, about electricity, or about the electric bill. Without that knowledge they cannot be taught the skills necessary to make a informed decision on whether to participate in retail access or to make an informed selection of a supplier.

Consequently, a lengthy list of "educational needs" must be identified as a starting point for an education plan. With those needs identified, corresponding educational messages can be developed to provide the necessary functional knowledge and skill sets.

The primary targets for the education plan are residential and small business consumers. As a result of the research, Eos has concluded that other secondary targets need to also be considered to support the primary education and to reduce the effects of erroneous information entering the pilot arena. The methods (channels) of transmitting the information to each of these targets depends upon the target and the type of information being transmitted. Research shows that the mass media is the preferred channel for awareness or alerting information. However, consumers are almost universal in preferring written material for other information.

Finally, all states have recognized that state agencies have a responsibility for educating consumers about retail access and that all the major players in restructuring, including the PUC, have a role in implementation of education plans.

There are numerous and wide ranging educational needs, these needs vary depending on the target consumers, and the messages change depending upon geographical location, policy decisions, and the utilities and channels in an area. Consequently, some means needs to be available to organize all the data when developing and executing an educational plan. Eos has initiated a matrix to organize the data and to be used as a starting point for detailed planning for the MEC pilot project.

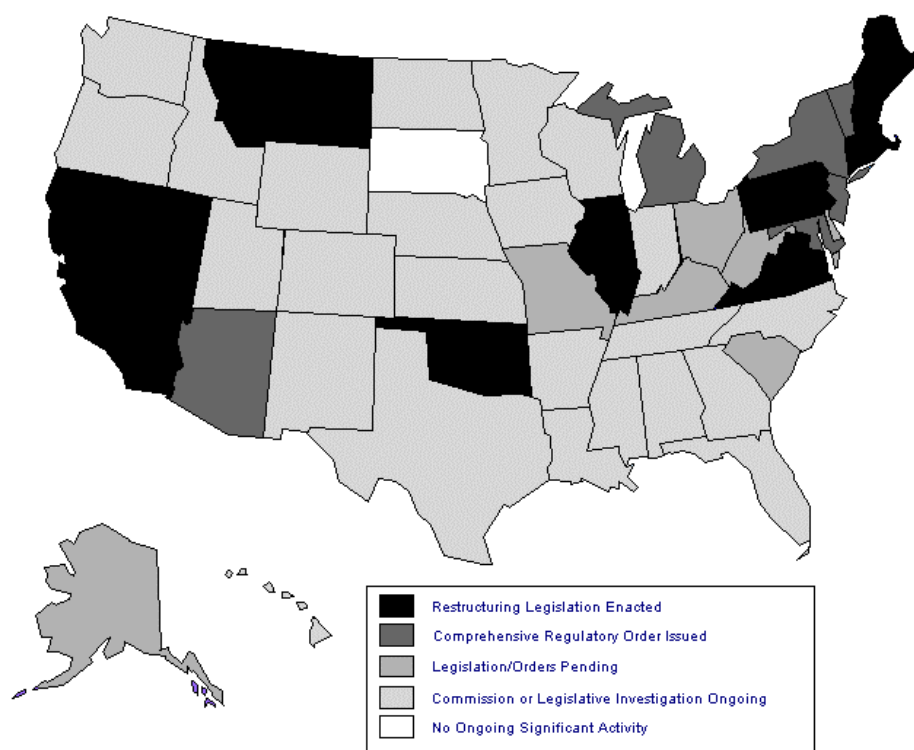
## 2. Educational Needs

*“The goal of the education program is to adequately prepare these customers for the marketing activities of alternative energy suppliers and to make informed choices.”<sup>15</sup>*

### Introduction

For almost a century, electric energy consumers’ primary interaction with their electricity service provider has been to pay their bills. Introducing customer choice into such an industry is bound to create confusion. While electric utility consumers make competitive buying decisions every day, it is not clear that this experience in other markets will adequately prepare these customers to make informed choices in an electric retail access environment.

The confusion by customers in other states during the early implementation of competition in the electric industry clearly demonstrates the need to educate Iowa electric customers before they are faced with the need to make electric retail access decisions. All the states that have enacted restructuring legislation and/or conducted retail access pilot projects (Figure 1) have recognized the need to educate customers.



**Figure 1. Status of State Electric Utility Deregulation Activity.<sup>16</sup>**

The difficulty that states, utilities, and national organizations have found in addressing customer education is determining what are the customer education needs. In order to answer this question, significant research has been conducted to determine whether consumers are aware of the move toward competition, attitudes toward competition in electric services, and what factors are important in making choices about service. The results of this research provides a solid basis for understanding electricity customer needs.

<sup>15</sup> IUB/IEC RFP 98F-02 Customer Education Program for Electric Retail Access Pilot Project

<sup>16</sup> National Association of Regulatory Utility Commissioners

To determine the Iowa electricity customer educational needs, this report relies upon: (1) national research undertaken by the National Council on Competition and the Electric Industry (NCCEI); (2) state implementation and pilot experience and customer education programs developed by various states; (3) Iowa specific educational needs identified by research initiatives undertaken by IEC/IUB; and (4) experience of the Iowa CEP Integrated Product Team (IPT).

## **Educational Needs Framework**

After reviewing the national and state research and experience with customer education, Eos has determined that restructuring educational needs and the materials prepared by states to fill those needs fall into three broad categories. These categories are:

1. Awareness that competition in the electric utility industry is occurring. This includes a basic knowledge that competition will offer an opportunity to participate in the retail access market and a select which company will be their electricity supplier. Awareness includes creating interest in and alertness to additional information that will be provided by various communication methods.
2. Functional Knowledge that provides understanding of increased customer roles in the new competitive environment and how the industry is changing to allow a competitive market. Functional Knowledge is background information on the electric utility industry that allows the customer to understand the changes that are occurring under competition relative to the regulated monopoly. It includes the roles of the various parts of the industry (generation, distribution, transmission, etc.). This knowledge will help customers understand how the changes will affect them and should relieve the basic fears, uncertainty, and doubts (FUD) that would prevent the consumer from deciding to participate in the competitive market.
3. Skill Sets that provide the ability to understand and evaluate competitive offers and make informed decisions. Skill sets provide methods and approaches to efficiently use Functional Knowledge to understand marketing information without feeling overwhelmed by the data and provide the confidence to make conscious decisions, not random guesses.

We found this grouping of educational needs provides a very useful framework when reviewing and analyzing previous research in electrical consumer education. We also found that this grouping is extremely useful when laying out the educational needs as a base for planning an educational program (See Section 6).

It is important to recognize that the categorization for educational needs does not mean that educational messages should be presented to the customer in a strict sequence. The information should be provided in a way that maintains the consumer's interest, overcomes inertia, and results in an ability to make informed, conscious decisions.

## **Overview of National Data**

National data comes primarily from the National Council on Competition and the Electric Industry (NCCEI). Although some information is available from state-sponsored surveys and focus group, most state data is gleaned from analysis of state education plans and materials.

## **National Council on Competition and the Electric Industry**

The National Council on Competition and the Electric Industry (NCCEI) is a joint project of the National Association of Regulatory Utility Commissioners (NARUC) and the National Conference of State Legislatures. Members include the US Environmental Protection Agency and the US Department of Energy. The council is a consortium dedicated to assisting state and federal decision-makers to better understand the implications of the competitive changes and challenges facing the electric industry.

One of the research tasks that it has undertaken is in support of information disclosure for consumers faced with choices about electricity generation service.<sup>17</sup> Although this research has focused on the question of consumer labeling of electricity products, much of the work is more generic to customer information and education needs.

The NCCEI research provides useful information in two main areas. The first is a nation wide survey of electric utility customers' knowledge of and attitudes towards competition – *Summary Report: Baseline Survey – Consumer Knowledge, Practices, and Attitudes*. The second is a series of focus groups conducted across the nation with consumers who have had experience with or were educated on electric utility industry competition. These focus groups provide information about consumer preferences on the disclosure and presentation of information materials they feel are important to making an informed decision in choosing an electricity supplier.

The following discussion of the review of national data is organized around the three learning categories discussed above.

## **Awareness**

Little can be derived from the NCCEI focus group research on Awareness (in the limited way that term is used in this report) because the participants either had direct experience with pilot programs or were educated on the potential changes before the focus groups were conducted. On the other hand, the NCCEI survey was conducted with a nationally random sample of 1,307 people aged 18 and over, and, therefore, is very enlightening on awareness levels nation-wide.

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<sup>17</sup> For more information regarding information disclosure or labeling of electricity products, the Regulatory Assistance Project maintains a website that contains the research products at [www.rapmaine.org](http://www.rapmaine.org).

Awareness of deregulation is very low.<sup>18</sup> While barely a majority of consumers have heard about deregulation, even fewer have any effective awareness of what deregulation would mean. In addition, the NCCEI research shows that there may exist significant inertia and lack of interest which will work against success in educating customers about competition.

Nationally, a majority of consumers (52 percent) have heard about deregulation of electric utilities. In the Midwest, the figure is slightly lower at 50 percent. Awareness of deregulation varies significantly by ethnic group, suggesting a need to target ethnic minorities and less educated populations.

Those who have some knowledge of deregulation have heard that::

- they will have a choice who their supplier will be (48 percent);
- it is going to happen (30 percent); and
- it will lower the price of electricity (10 percent).

The NCCEI data also reports that people's knowledge of deregulation has primarily come from mass media channels: 35% of the respondents said that they heard about deregulation from television while another 35% cite the newspaper. Less than 1% mention their electric company as their source of deregulation knowledge.

These are results of a national survey and relatively few of the people interviewed have been affected by pilot programs or state legislation mandating retail access. Therefore, those familiar with restructuring issues might feel these results are misleading. A sound argument can be made that as pilot programs or state legislation become a reality, the marketing efforts of competitors and news coverage will increase awareness to effective levels within the geographical areas affected. But this has been found not necessarily to be the case. In California, where statewide deregulation was to become a reality for every consumer, awareness was found to be unexpectedly low. The NCCEI report on focus groups conducted in 1997 reported:

*"Given the significant media coverage in California of the coming electricity market restructuring, it is remarkable how little awareness the participants in California had of the topic and its implications."*

The reasons for this ignorance may be simply due to the inertia created by customers used to operating within a regulated monopoly for so many years. However, data from the national survey suggests other potential reasons for this inertia as well.

Many consumers believe that deregulation will not change the service supplied by electricity companies or reliability in their electric service, 46% and 57% respectively. Americans are divided

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<sup>18</sup> Whether deregulation, reregulation, restructuring, or competition is the most appropriate terminology to describe the changes in the electric industry is debatable. Although the term deregulation may cause a false impression, it is the term used in the media and seemingly best known by the public. The NCCEI survey used the term deregulation when assessing consumer awareness, and, therefore, when referring to the results of this survey, we will also use this term.

when it comes to their views on the impact of deregulation on price with 35% believing it will increase, 33% believing it will decrease, and 31% believing it will remain about the same. This apparent ambivalence among a significant level of consumers will affect their receptivity to efforts meant to alert them to competition in general and pilot programs in particular. Therefore, education efforts must both alert customers to the fact that competition will occur and increase customer interest in this change.

Effective awareness requires at least a basic understanding of what competition will mean to electric utility customers. While few consumers have heard of deregulation, the NCCEI survey shows that even fewer consumers understand how competition will effect them.

This limited awareness and apparently strong inertia suggests the following areas of interest for customer education:

- Customers need to be alerted that deregulation is going to occur.
- Customers need to feel that the changes associated with deregulation will mean important changes to them.
- Customers must be motivated to learn more about deregulation and know how to get additional information.

### **Functional Knowledge**

Functional knowledge provides the information necessary for consumers to understand marketing materials, advertisements, or other information on restructuring that suppliers, distribution companies, and others provide. It also gives the background information customers need to learn the skills to compute electricity costs in a competitive environment.

Since the national studies were primarily interested in determining how customers gathered and understood information and costs for supplier offerings, they had little to say about functional knowledge. However, a survey conducted by the Maine PUC demonstrates how basic the required education needs may be. In the Maine survey, 62 percent of respondents in a random sample of consumers did not know that customers could choose their supplier of electric power or that power would be delivered over the lines of their local electric utility. Focus groups in other parts of the country also suggest that some consumers fear that competing companies will mean more distribution lines running down their streets.

There are various skill sets necessary to evaluate various supplier offerings and compute costs (see below). However, when considering educating consumers to provide these skills, it becomes obvious that a significant amount of basic or functional knowledge is required beforehand. For instance, the customer cannot be taught about how to compute his total bill until he understands the three functions of providing power to his home (generation, transmission, and distribution) and that his competitive choice affects only the generation portion of the bill. The following are a few of the key educational needs included in functional knowledge.

- What are the key terms and what do they mean?
- What are the central industry functions of generation, transmission, and distribution and what company will accomplish each functions?

- How is the industry structured in a competitive environment?
- How are costs spread across the key functions and which costs can the customers influence?
- How is electric power usage measured?
- etc.

Additionally, customers also must understand various service and reliability issues and have their fears, uncertainty, and doubt relieved before he can even make a decision to investigate the advantages of participation in customer choice. These issues include these three items:

- How service reliability will be effected if a customer selects a new service provider?
- What happens if the supplier that the customer buys from fails to deliver the power.
- Who would I call for service versus who do I call about various line item costs.

## Conclusion

After the consumer is aware of the restructuring that is going on around him and before he can make a decision to participate and learn the skills needed to compare supplier offerings and compute costs, he needs a large array of functional information. Any person that has taught outside a formal school situation has faced the problem of first having to bring his students up to a knowledge level before the primary subject can be taught. Since electricity consumers have not had to make buying choices for electricity, the society has not provided in formal or informal ways the functional knowledge he needs. Any attempt to educate consumers on how to make informed choices of a supplier in a competitive environment must be preceded by education on the basic knowledge of restructuring.

## Skill Sets

Skill Sets allow customers to make an informed decision on which electricity supplier to select. Both the NCCEI survey and focus groups provide a lot of information pertaining to Skill Sets. Inability to make apples-to-apples comparisons on choices will be a further impediment to choice.

## Electricity Prices

Electricity prices are the overwhelmingly most important factor to customers in choosing a supplier. This is demonstrated both in the national survey and focus groups. Comments from the focus groups drive this home.

*"My feeling is whichever one saves me the most money and can give reliable service. Bonuses don't count, this doesn't count, that doesn't count. The bottom line counts."*

*"I read through all the materials and the only thing I was looking for was the rock bottom price. I didn't care about the fir tree, I didn't care about the \$25 check, I didn't care about any of the other little incentives."*

Customers do not know how much they pay for electricity. The NCCEI survey showed that eighty-seven percent of consumers do not know how much they currently pay per kWh and over three-quarters do not know how many kWh they use each month. This ignorance will limit customers' abilities to determine if the product being offered is less expensive than what they currently pay, let alone differentiate between competing offers.

The report on the focus groups conducted with New Hampshire and Massachusetts pilot project participants<sup>19</sup> demonstrate the significantly greater problems customers face in making a decision when presented with overwhelming and difficult to differentiate offers compared to those with easily understandable information. In fact, this customer need for uniform information is supported by state surveys in New Hampshire, Maine, and Texas where the majority of consumers felt that suppliers should be *required* to provide uniform information.

The New Hampshire retail competition pilot program, as one of the first pilot programs, and the first to include a significant number of residential consumers, is illuminating about the educational needs of consumers in electric industry restructuring.

Most participants were confused by the dizzying array of offers and mind-boggling marketing blitz. One participant described his experience:

*I first read about our choice in the paper and I was very excited because I was very unhappy with that company that I was with. And so I called in, because it was a toll-free number... and said, yes, I'd very much interested in being part of this pilot program and it was maybe a month later that I was notified that I'd been selected. And then I received tons of information. And it was just like being back in college and doing a research paper, because my dining room table was covered with all these pamphlets, with all these rates, and I was trying to figure out who to go with.*

Another participant had similar difficulty:

*I haven't selected a company because I was so overwhelmed by all of the information I received and all of the telephone calls that I couldn't make a decision about which was best for me.*

These reports from focus groups seem to be contradicted by statistical information. In a telephone survey of a random sample of the New Hampshire participants, most expressed an understanding of the pilot program. Perhaps understanding how it works is not the same as not being confused or overwhelmed by the choices. In fact, even though many understood how the pilot program worked, 42 percent did not choose an alternative supplier.

About half of the participants were eligible because they lived in a geographic aggregation area, and the other half volunteered as individuals. While it is not surprising that 48 percent of the "involuntary" participants did not choose an alternative supplier, the fact that 36 percent of the volunteer participants also did not select an alternative supplier suggests that customer choice presented some unanticipated challenges.

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<sup>19</sup> *Information Disclosure for Electricity Sales: Consumer Preferences from Focus Groups.*

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It is important to note that a majority of the participants (59 percent) in the New Hampshire pilot program felt that the Public Utilities Commission (PUC) is the entity most responsible for educating consumers about electric competition. The New Hampshire PUC, however, was under a legislatively mandated fast track, and with the exception of a brochure/newspaper ad, was ill prepared to deal with consumer questions.

The New Hampshire and Massachusetts pilots were structured much differently. The New Hampshire pilot relied on the competing electricity suppliers to provide pricing and rate structure information on their offers, while Massachusetts gave their participants a brochure with the following menu of choices and provides a way to easily compare one offering to another.

1. How much does electricity cost?
2. How many kWh does the average consumer use per month?
3. What determines/constitutes the price of a kWh?
4. How much will customers save if they choose a different supplier from their traditional utility?
5. How can customers compare the price of one offer to the price of another?

Education and information about electricity price should cover at least the following:

- Customers need to know what is a kWh and what determines/constitutes the price of a kWh.
- Customers need to know how much electricity costs.
- Customers need to know their kWh usage.
- Customers need to understand the rate structure of the competing offers and determine what their cost would be under any specific plan.
- Customers need supplier materials that are easily compared (IUB directed) or need to know how to ask, and be willing to ask the right questions to obtain data that can be compared.

### **Summary**

The ultimate objective for customer education is to equip the Iowa consumers with the knowledge and skills so that they can make informed decisions about their participation in retail access. If successful, customers should be motivated to:

Gather information to decide whether to participate, THEN

- Make a conscious choice to switch to retail access, OR
- Make a conscious choice not to switch to retail access, OR
- Make a conscious choice not to make a decision until some event or change occurs
- 

In order for the consumer to move through that decision process he must be made aware of the changes going on in the electrical industry that effect him, gain the necessary background knowledge to understand what is happening, and gain the skills to make a informed choice.

## **Recommendation**

To get to that ultimate objective may require establishment of goals for restructuring education. Several states have established goals for their Customer Education Programs to give direction to the state restructuring education process. A decision to establish CEP goals would take detailed consideration and review by the IUB, however, if a decision is made to establish restructuring goals, a review of the goals of other state CEP's suggests three simple goals for Iowa:

- Increase consumer awareness of retail access and related issues
- Facilitate informed consumer decision-making thereby achieving customer-preferred outcomes
- Provide an objective and credible source of information for consumers

### **3. Messages**

#### **Introduction**

Messages are the information that is transmitted to the consumer to fulfill educational needs. While the educational needs are generally consistent across time and locales, messages, or answers to the educational needs may vary. For instance, specific messages, such as where the consumer can get additional information, will often change by locale; where general messages, such as the definition of terms or how electrical usage is measured are to be used, do not change at all. Consequently, although a general list of educational needs can be developed, a general list of messages cannot.

However, several states develop “Core” messages endorsed by the public utility commission. These core messages are intended to provide general guidance and are often tailored to the target audiences, including being delivered in other languages or to special needs customers.

#### **Core Messages**

Since core messages can reflect public policy and/or legislation, specific core messages for Iowa are not recommended here. However, development and adoption of core messages could be considered by IUB.

Review of core messages from other states provides an overview of what the states are trying to communicate to the electricity consumers in their states. Core messages might include the following examples from Maine and Vermont:

#### **Maine CEP**

##### *Why is the electric industry changing?*

- General benefits
- What’s in it for me?

##### *Structure of the industry*

- Components of the existing structure
- What deregulation means
- What will be competitive and what will not
- Different sellers do not mean multiple sets of poles and wires
- Flow of electrons

##### *Electricity costs*

- The cost of electricity
- Average kWh use

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- Energy efficiency remains an important way for you to control your monthly bill
- Components of the price of a kWh
- Will consumers save if they choose an alternative supplier?<sup>20</sup>

### Choice/Change is coming

- Generation prices may change
- Marketing is coming
- Inform yourself, know your options
- Standard offer/default service if you do not choose
- Reduced/alternative regulation of suppliers
- How to purchase power in a competitive marketplace

### Reliability

- System reliability will be maintained by regulated transmission and distribution companies
- Supplier of last resort

### Billing

- How to read the new bills
- Unbundled (itemized) billing
- One bill or two

### The environment

- Fuels are used to generate electricity
- Where is the electricity generated?
- Environmental impacts of electricity generation and use
- Efficiency of energy use can reduce the environmental impacts

### The consumer disclosure label

How to read the consumer label

### Timeline for retail access

- When does it start?
- Is there a deadline to sign up?

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<sup>20</sup>This message must be handled very carefully so as not to raise expectations. It is not clear that all consumers choosing an alternative supplier will save money.

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### Who to contact for more information

- PUC
- Distribution utility
- Supplier Companies
- Websites

**Vermont's** CEP identifies a shorter list of core messages:

- The lines and poles that lead to your home or business will continue to be maintained by your current electric utility and will continue to be fully regulated.
- Electric industry restructuring will require you eventually to make a choice about which company provides electric power to you through these lines.
- The more you know about your energy consumption and about how electricity is provided and billed, the better able you will be to make good choices for your household and business.
- Price is just one dimension of choice; there are others, such as the source (nuclear, renewable, fossil fuel), and therefore the environmental impact, of the electricity you buy.
- Your focus should be on your total bill, not just rates.
- Electricity represents only part of your total energy consumption.
- Energy efficiency remains an important way for you to control your energy use and costs.
- Restructuring will preserve--and may even enhance--the consumer protections currently available.

**New Hampshire**, on the other hand, developed a two-step approach and with a theme and a logo for each of the steps.

The first step to alert consumers that a change was going to happen is called "Electric Competition - The Switch is On". This step was to start about 90 days prior to the date competition is to start, and last to approximately 90 days after competition starts. The Switch in On alerts consumers that a change is coming and uses mass media as its primary method.

- What electric competition is and isn't. (What's changing, what stays the same.)
- Reassure consumers that there will be no loss in reliability and service.
- Why competition will benefit New Hampshire consumers and small business.
- How the electric industry is responding to consumer's needs.
- Service, reliability and safety will be maintained.
- All consumers have rights and protections in this process.
- Where people can find information to make an informed choice on their electricity provider.
- Choice has implications to be considered.
- Assure customers that there will be no loss of power at C-date. Default supplier will provide for this.

The second step of the New Hampshire plan is named "Electric Competition: The Power of Choice." The messages in this step are to begin three months after competition starts and continue

until for nine months. This step assumes that consumers have learned that a change is occurring and have become better educated. The messages in this step emphasize that consumers have a choice, encourage consumers to make a choice and highlight the implementations of their choice. During this phase the topics to be addressed are:

- How changes in the electric industry will affect rates
- How consumers make informed choices
- That their choice has implications
- And that there are places they can turn to find out more information

**California** took a more directed approach. The following is from a page in the California proposed marketing plan. Note that this list was established by CPUC formal decision

#### IV. CPUC'S DESIRED MESSAGES AND THEMES

(DECISION D.97-03-069)

This list is not meant to exclude other messages and themes that the EREG may determine are appropriate.

1. Change is coming.
2. The types of expected changes, including multiple companies selling electricity.
3. The benefits and risks of direct access.
4. That consumers will have a choice of providers, be able to use hourly pricing options based on PX price, or they can choose to remain with their existing default provider.
5. Potential marketing abuses that consumers need to be aware of.
6. The continued safety and reliability of the generation and transmission network.
7. What the CTC is and who is responsible for paying for it.
8. @73ade aware of potential changes in metering technology and billing that may be required of them if they choose direct access *logo which will appear on all print media will enhance awareness and recognition* or the hourly PX pricing option.
9. The procedures that the customers and utility must follow in order to switch to a different provider.
10. The joint CEP effort must be free of bias so that customers can make informed choices in this restructured electric industry environment.
11. To ensure that there is maximum customer outreach, the efforts of the joint CEP need to be constructed from the start as a multilingual effort.

### Summary

Most of the PUCs have established some sort of official core message plan as part of restructuring implementation. Most PUCs have also made establishing themselves as the credible source for unbiased information on restructuring. Since this study and report is the first step in addressing restructuring education in Iowa and is being accomplished in anticipation of the MEC pilot and in preparation for legislative inquiry into restructuring, it is not recommended that the IUB/IEC establish formal core messages at this time. However, creation of core messages should be considered as part of the ongoing planning being conducted by IUB.

## 4. Educational Targets and Channels

### Introduction

Because people learn in many different ways, and because they are interested in different forms of media, a variety of channels are needed to reach all the electricity consumers. Virtually all education channels are complementary, and multiple exposures through different channels can help reinforce the messages. The channels chosen to transmit the educational messages need to be selected to fit the specific targets of the educational effort. While residential and small business consumers are the primary targets for restructuring education, other targets should be considered as part of the educational plan.

### Targets of Educational Efforts

It is assumed by several states in their education plans that larger consumers of electricity have already educated themselves or have negotiated separate arrangements with energy providers. Consequently, states across the country have made residential and small business customers the primary targets of state directed education plans. However, the study of education efforts in other states indicates that they have recognized that there are other groups that should be considered when developing an education plan. Since the initial pilot project in Iowa will cause questions about restructuring from people and organizations outside the pilot area, some of these groups should be considered for receipt of information, even during the MEC pilot.

The following is a list of some groups that could be considered as recipients for education developed under an Iowa CEP:

#### Primary Targets

- *Residential consumers.* Obviously, the people who have to make the choices, and even decide whether they are interested in participating, are the ultimate target, or beneficiary, of the education effort. There may be some subgroups of consumers who are hard to reach and who will need special attention.
- *Small business consumers.* This target may need to be further defined. The federal definition of small business as one with less than 500 employees may be too broad. Employers of 50 or fewer employees may be a more appropriate definition for this purpose. However, the Iowa survey of electricity consumers indicates that there are few differences between the residential and small business consumer.

#### Secondary Targets

- *Media.* As state restructuring events occur, such as pilots conducted by utilities, or increasing activity by the state legislature, the media all over the state will begin to write articles on restructuring. Because so much information is filtered through the mass media, it is important that they be well informed. An educational plan should consider a special effort to ensure that the mass media understands the changes taking place and the status of restructuring in the state. This portion of an educational plan could discourage spread of erroneous information and

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improve understanding of the status of restructuring in Iowa. Television, radio, and newspaper outlets could be alerted to the restructuring subject, and provided information on significant events and potential issues. Since the media will be used by competing business interests, if it is decided to provide information to the media, it may fall to state agencies to provide competitively neutral information.

- *Legislators.* Elected officials need to be in the know: informed and prepared to answer constituents' questions. By being prepared to engage with voters on the topic of consumer choice of electric provider, they can also gather important feedback about the public understanding and acceptance of the changes. Many of the materials developed for other groups could be used by legislators or special packages could be prepared by IUB/IEC as the responsible state agencies to make sure the legislators are up to date on restructuring issues nationally and in Iowa.
- *Municipal government leaders.* Like legislators, this target audience is also essential to assisting to communicate on the changes taking place. They will be especially important in the communities selected for a pilot program. They should be well enough informed to be part of the local outreach effort, not bystanders.
- *Community based organizations.* CBOs may be both targets and channels. Providing speakers to these organizations such as chambers of commerce, service organizations, environmental groups can inform those attending and lead to further dissemination of information. In addition, CBOs can help communicate with hard to reach groups such as low income, or immigrants with limited English speaking or reading abilities.
- *Schools.* For short run educational programs, such as pilot projects, provision of educational materials to schools may be effective. School children who bring home literature or discuss what happened at school can help make their parents more aware of energy issues.

For long run programs and/or statewide education, one component of an education program could be the development of an electric or all energy curriculum to be used in middle and high school science classes and consumer education classes. From the science perspective, there are already available free or low cost educational materials including teachers' guides, worksheets, and CD-ROMs and videos. From a consumer perspective, some of the same materials described previously, such as brochures, could be incorporated in lesson plans.

### Channels

There are a variety of ways to reach these targets. Used in an integrated way and applied to those targeted markets for which each is most appropriate will result in an effective education campaign.

- *Media kits.* Distribution of folders with press releases, backgrounders on other aspects of restructuring, further contacts, schedules, etc..
- *Press releases.* Implementation of the education plan should seek to get as much free media attention as possible, by identifying and using every opportunity to get a new story in the media.

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- *Advertisements and PSAs.* Public Service Announcements may work well for television and radio, primarily to create awareness. Paid newspaper advertisements by state agencies may be necessary to convey more specific information. Although paid, advertising's purpose by state agencies must remain educational rather than marketing.
- *Brochures and fact sheets.* Written materials can be kept short and simple by tailoring them to specific topics, rather than trying to be comprehensive. Different brochures may be distributed at different points in the lead-up to customer choice, and during implementation of choice. They may be distributed to any place that gets a lot of traffic (municipal offices, libraries, malls), at presentations to CBOs, as newspaper inserts, upon request by individual consumers (from a website or a telephone query system), or as direct mail.
- *Retail access newsletter.* Initiation of a Retail Access Newsletter would be helpful to inform and update legislators, local officials, opinion leaders and CBOs about the progress of competition and customer choice. The newsletter could be also loaded on a website for downloading by anyone interested.
- *Direct mail.* Direct mail to all consumers can be expensive for a statewide education effort, but it may be essential for a small pilot program. Market research suggests that direct mail is one of the most effective ways to get consumer attention and action.
- *Internet website.* The Internet is fast becoming a major way for consumers, or at least some segments of consumers, to access information. Websites are useful because they allow viewers to pursue questions of greatest interest, and could support tracking of issues that receive the most interest ("hits"). Websites are also a major source of information by the media when gathering background information for an article.
- *Speakers' bureau.* The IUB and IEC should develop a speaker's bureau to respond to requests from CBOs. A speakers' bureau can feature speakers from a variety of sources (public employees, private experts, utility experts) allowing the person seeking a speaker to pick the source(s) that meet their needs.
- *Utility bill inserts.* Although this channel has been criticized for lack of effectiveness, it is a key part of an education program. Bill inserts can be especially effective in explaining how to read electricity bills and in announcing changes in bills and services. Because this channel is necessarily brief, the messages must be simple and should include reference to toll-free numbers and websites for more information. This is also an important channel for alerting consumers to pilot program opportunities.
- *Outreach to opinion leaders.* This activity should include meetings with media editorial boards. Other opinion leaders could be invited to write an op-ed piece for newspapers. The introduction of competition and customer choice in the electric industry could also be encouraged as a topic for state public television analysis and discussion, or if a pilot program is planned, on local access cable television stations. Presentations to key state legislative committees are also important for pilot programs that may not have required legislative approval, and even for updates on legislatively approved restructuring.
- *Outreach via large employers.* Presentations can be arranged with employee groups, and brochures could be distributed or made available. Further, companies with employee newsletters can be used to alert employees to the availability of meetings or brochures.

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- *Energy curriculum.* For the long-term education of future energy bill-payers, a number of educational curricula have been developed for a variety of purposes. These should be reviewed and appropriate lessons selected. It is expected that most of this would be general to energy and electricity generation and use, and their relationship to the environment. A special module is probably needed to cover the structure of the industry and choice issues, and each module would have to be geared to the appropriate grade level.
- *Toll-free call-in number.* A toll-free 800 number, or consumer hotline, should be set up to provide consumers a way to get a real person to answer their questions, as well as to obtain brochures via an automated request system. The utilities will almost certainly have call-in numbers, but some consumers may not consider utility call-in numbers competitively neutral. IEC/IUB should consider whether a state agency should also provide a call-in service.

### **Combined Methods and Channels Table**

Combining targeted groups and channels to carry the messages suggests a web of outreach and educational efforts as displayed in Table 1

**Table 1 Targets of Education and the Channels to Reach Them**

	Media	Legislators	Municipal Gov't Leaders	Community Based Organizations	Residential Consumers	Small Business Consumers	Schools
Media kits	X	X	X	X			
Press releases	X	X	X	X			
Advertisements and PSAs					X	X	
Brochures and fact sheets	X	X	X	X	X	X	?
Retail access newsletter		X	X	X			
Direct mail					X	X	
Internet website					X	X	X
Speakers' bureau			X	X	X	X	
Utility bill inserts					X	X	
Outreach to opinion leaders	X	X	X	X			
Outreach via large employers					X		
Energy curriculum							X
Toll-free number					X	X	

## **5. Educational Roles and Responsibilities**

### **Introduction**

Ever since the New Hampshire experience where restructuring was implemented without an organized consumer education program, all the stakeholders in the electrical industry have recognized that education of potential customers is necessary. In all states where restructuring has been accepted, the state government has taken the lead in establishing the need for education and developing a Consumer Education Plan. Even in Vermont, where restructuring has not yet been accepted as policy, the state utility regulatory body has taken the responsibility for developing a Consumer Education Plan (CEP). However, the distribution companies and suppliers also have roles in the education process. What the roles and responsibilities for each of the players in the restructuring process is a question that needs to be resolved if the consumer educational needs are to be fulfilled.

### **Responsibility of State Agencies in Consumer Education**

The states studied are in various stages of electric industry restructuring. Some states have already implemented retail access markets; others have adopted restructuring legislation, but have yet to implement it; and still others are considering it, but have not passed legislation. What they all have in common, however, is the assumption that, because of the significance of the actual or planned changes being implemented in the market for electricity, the state has some role and level of responsibility to educate consumers.

In all these states either legislatures or public utility commissions have mandated the development and implementation of Customer Education Plans (CEP). Most states have also accepted direct responsibility for implementation of at least a portion of the CEP. The following summarizes the situation in several of the states leading in restructuring:

Maine - The Consumer Education Program will be administered by the PUC and a communications contractor, and advised by a Consumer Education Advisory Panel.

Massachusetts - The Massachusetts Division of Energy Resources (DOER) is responsible for developing and implementing the Electricity Consumer Education Plan. The DOER is a unit of general government which works with the Department of Telecommunications and Energy (analogous to the IUB) and the Attorney General's Office, which has been very active in the deregulation debate.

New Hampshire - The Public Education Plan for Electric Competition is explicit in its goal to "position the New Hampshire Public Utilities Commission as the neutral, most reliable resource and knowledgeable voice concerning the new competitive electric marketplace." Most of the work will be done by the PUC through a communications firm.

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New York - the New York Public Service Commission is responsible for coordinating and preparing consumer information and education materials. For example, the fact sheet prepared for each utility's restructuring plan is clearly labeled at the top, "the Facts from the PSC."

Pennsylvania - The Pennsylvania education efforts are divided between statewide efforts and local efforts. State-wide efforts will receive 65 percent of the funding support, while local efforts will receive 35 percent. The local efforts will be directed by each local distribution utility, while the statewide efforts will be directed (technically and financially) by the Pennsylvania Electric Association. All plans, however, must be approved by the PUC with advice from a broad-based Consumer Education Board.

Rhode Island - The Rhode Island Public Utility Commission prepared the Consumer Guide to Choosing a Power Supplier, which was produced by an advertising agency.

Vermont - The Vermont Department of Public Service (VDPS), a unit of general government separate from the Vermont Public Service Board (VPSB--the utility regulator) plays a key role in utility issues, representing consumer interests, and was asked by the VPSB to develop the Consumer Information and Education Plan. Although the Plan is detailed, because Vermont has not adopted legislative policy regarding restructuring, the Plan is not explicit about responsibilities. However, it is clear that the coordination and most implementation work will be conducted by the VDPS. It is informative that the Vermont CEP notes

"In the early phases of consumer education, there is a considerable degree of alignment of interests between the Department and the IOUs. At a later point on the restructuring continuum, just before and at the point at which consumers will have to choose which electric company to buy electricity from, the interests of the Department and the IOUs--particularly the Retailco units of the IOUs--diverge."

As illustrated by the actions of state agencies in states that have implemented customer choice, the state has a unique role in consumer education. They have all taken responsibility for developing education programs. The PUC also has a unique role in customer education in that the PUC is normally perceived as the most reliable source of competitively and participation neutral information.

### **Educational Roles of Distributors, Suppliers and other Non-governmental Entities in CEP Implementation**

By taking the lead or coordinating role, government entities do not actually do all of the work. There is considerable overlap in educational messages from a government entity or consumer advocate, and distribution utilities and the marketers.

General experience in education/marketing to the public and results of surveys and studies on educating consumers on restructuring clearly demonstrate that the information must come from multiple sources before inertia and skepticism will be overcome and the public will believe the facts and act on the information. This is not surprising in restructuring education since we are asking consumers to take on a responsibility to make decisions concerning electrical service that have always been made for them by someone else.

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New Hampshire recognized these complementary roles. The New Hampshire consumer education plan includes a theme, “The Power of Partnering,” to engage local utilities and energy service providers in communicating consistent messages. CEP coordinators will work with utility and power suppliers to illustrate how the concepts and materials being used in the public education plan can become part of the utility or power supplier’s marketing efforts, and how these materials can benefit all involved.

Specifically, “The Power of Partnering” campaign would seek at a minimum local utility and power supplier participation in extending the impact of the public education program through:

- References in the local utility’s or power supplier’s marketing materials “pointing” to the public education plan.
- Use of the same terms, concepts, definitions and icons contained in the public education plan.
- Specific “pointers” to the telephone call-in center and web site.
- Local utility power supplier agreements to distribute the bill inserts.
- Stocking and distributing to their customers the Comparative Shopping Guide Workbook.
- Agreeing to follow the public education plan schedule for use of all materials throughout the life of the campaign.

An important role for utilities is to promote the pilot program (or in full retail access, to communicate with customers about how to switch) and get people to register to participate. This promotional role may not be consistent with the voice that informs consumers about what is happening, what their rights and responsibilities are, and how to choose a supplier.

Further, the utility marketing affiliates and independent marketers will promote their particular products which is not consistent with a dispassionate view of the changes taking place in the market.

### **Distribution Companies**

The electric utilities, or distribution companies, have typically been the primary if not sole interface with consumers regarding electricity supply, new programs, metering and billing, and changes in rates, for example. They are a critical stakeholder in implementing restructuring and as such are important contributors to planning and implementation issues. They will continue to be important distribution channels but will probably not be seen as sufficiently disinterested to have the lead responsibility for overall CEP implementation. Distribution companies will likely have, at some point at least, marketing company affiliates that will be competing in either pilot programs or full retail access.

Distribution companies will still have contact with all customers for billing purposes, and this routine contact presents an important channel for the distribution of educational materials prepared by the IUB or IEC. To the extent that bills are unbundled, or that supplier services are billed together with distribution services, the distribution companies must play a role in explaining the bill changes.

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Since most people will call their familiar utility (distribution company) if they have questions, the distribution company call center personnel must be trained in frequently asked questions to give consumers accurate and consistent information. There may be other roles for distribution companies as well.

Distribution companies are also the primary organization responsible for soliciting customers to participate in the retail choice pilot programs, and will be responsible for switching customers when and if they choose an alternative provider. The aspects of education of how to initiate participation in customer choice and the mechanics of selecting and/or switching suppliers should be implemented at the distribution company level. This promotional role may not be consistent with the voice that informs consumers about what is happening, what their rights and responsibilities are, and how to choose a supplier.

### **Competitive Suppliers**

Competitive suppliers have a role to play in consumer education, but less as representative of the state's CEP than as an interested party seeking business. Based on experience in other states, competitive suppliers will include educational messages as part of their marketing efforts, and these educational messages will help to reinforce what consumers are hearing from other sources. However, competitive suppliers are less credible because of their commercial bias. None-the-less, supplier companies may be prepared to complement the CEP by tailoring their marketing/educational efforts to coincide, or at least not disagree with messages used by the CEP.

## **6. Educational Matrix**

### **Introduction**

Section 2 of this study and report presented the results of research into the educational needs of customers being introduced to the retail access environment. The objective of developing an Educational Matrix is to gather the educational needs in an organized way so that:

- The list of educational needs can be studied and reviewed for completeness
- Messages and desired educational outcomes can be generated for each need and reviewed to make sure they reflect the current and correct information as changed by time and/or policy and legislative changes
- An accepted criteria for measurement of success of any specific educational effort is readily available
- A current and approved list of educational needs is available for planners as the starting point for a specific educational project without the time and expense of reaccomplishing this initial study for each project.

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### **Categories of Educational Needs**

Section 2 also identified three broad categories of educational needs. These categories are:

1. **Awareness** that competition in the electric utility industry is occurring. This includes a basic knowledge that competition will require a decision whether to participate in the retail access market and a selection by participating customers of what company will be their electricity supplier. Awareness includes creating interest in and alertness to additional information that will be provided by various communication methods.
2. **Functional Knowledge** that provides understanding of increased customer role in the new competitive environment and how the industry is changing to allow a competitive market. Functional Knowledge is background information on the electric utility industry that allows the customer to understand the changes that are occurring under competition relative to the regulated monopoly. It includes the roles of the various parts of the industry (generation, distribution, transmission, etc.).
3. **Skill Sets** that provide the ability to understand and evaluate competitive offers and make informed decisions. Skill sets provide methods and approaches to efficiently use Functional Knowledge to understand marketing information without feeling overwhelmed by the data and to make conscious decisions not guesses.

### **Educational Matrix**

An initial Educational Matrix divided into sections corresponding to the three educational categories is presented on the following pages. Examples of Educational Needs with examples of their attendant messages are in the draft matrix.

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While a nearly complete list of educational needs could be developed, the educational needs must be tailored for each specific education plan. More importantly, the messages for each educational need may change over time as new policy or legislation is implemented or to reflect the geographical area the education plan is used for. For example, for the MEC pilot, consumers' sources of additional information will depend upon the pilot area, and whether one or two bills for generation and distribution are available to the consumer will depend upon policy that applies to the pilot program.

As the matrix is applied to its first use, the MEC pilot, content of the "messages" will become more complete and the matrix will be updated. The MEC pilot itself, and the expected customer survey following pilot implementation, will provide valuable additional data for continuing update of the dynamic matrix document.

## Restructuring Education Matrix

### Awareness

**Awareness** alerts the affected consumers that a change is occurring in the electrical industry. If this category of education is successful, the consumers will know about the change that is occurring and be motivated to remain alert for the follow-on education that will be provided.

Educational Need	Message	Desired Consumer Action
Aware of new situation in electric procurement structure	Brief, interesting description of current situation and change anticipated	Understands old and new structure adequately to show knowledge
Aware of reasons for contemplated changes	TBD (would depend upon whether the plan is for the pilot or at a later date for the entire state).	Understand and can express reasons for change
Aware of how change will affect individual consumers	TBD (may offer cost savings and/or opportunity for choice of energy source for power )	Understands what action is needed and how it relates to change in situation. Motivated to obtain additional information
Aware of how consumers can learn more	TBD	Consumer is alert to watch for new information and is motivated to obtain self-help information, if available.
(Data to be added as needed)		

## Restructuring Education Matrix -- Functional Knowledge

**Functional Knowledge** - provides the necessary background information for the consumer to understand the current industry structure and the changes that are to occur. If this category of information is successful, the consumer will be able to describe the current and proposed structure, understand the key terminology, know how the changes would effect them, have the basic fears, uncertainty, and doubts allayed, and be prepared to make a decision on whether they want to participate in the change.

<b>Educational Needs</b>	<b>Message</b>	<b>Desired Consumer Action</b>
How electrical usage is measured and read	kWh is the unit of energy usage; use is measured by the electric meter; meter is read by _____ (TBD)	Understands kWh term and that it is measured by electric meter, knows who will read the meter under either current or competitive structure.
How is electricity use identified on a utility bill?	The number of kwh as read at the electric meter; is reported on each electric bill	Can find the number of kWh used on the electric bill
What is the customers current price of a kWh?	TBD (price, including summer/winter rates, etc. will depend upon the area being considered.)	Knows average price per kWh for typical use. Understands typical use. Understands price changes occurring for time of day.
What are the components of delivery of electricity to your residence/small business.	Electricity service has three major components: 1) electric power generation; 2) delivery of bulk power to local networks over the electric transmission grid; and 3) delivery to customers through local distribution lines (wires and poles).	Understands the three functions of electricity service, understands the three functions can be accomplished by one company or by multiple companies.
What are the costs of the generation, transmission, and distribution functions?	Generation accounts for ____% of typical bill; transmission accounts for ____% of typical bill; distribution and local service account for ____% of typical bill	Understands current relative contribution of each cost component.
Knowledge of how energy is delivered under a regulated monopoly.	The regulated utilities own and operate the three major functions of electric service:	Understands local utility currently responsible for the three functions

## Restructuring Education Matrix -- Functional Knowledge (continued)

Educational Needs	Message	Desired Consumer Action
Knowledge of the changes in electrical industry in a competitive environment	Three functions do not have to be performed by one company, can be performed by separate companies.	Can think of three functions and consider them being accomplished by different companies
Regulation under competitive environment	Transmission and distribution continue to be regulated. Generation regulation _____ (TBD). Details of IUB responsibilities for public protection	Understands that “deregulation” is only partial. IUB is still looking out for public interest.
Scope of consumer choice	Consumer able to buy generation from competing power supplier companies; no choice on transmission or distribution	Understands generation is only portion of energy cost consumer can effect and needs to be concerned with
Reliability of electric service	Customers still call their local distribution company about power outage and repairs. Local distribution company is provider of last resort (depending upon policy)	Understands that reliability will continue to be the responsibility of local, regulated distribution company
Will multiple suppliers result in more poles and wires?	All generation providers will use the same local distribution poles and wires	Understands that local poles and wires will not be duplicated
How electricity is currently generated	Iowa’s electricity is currently generated by facilities using _____ energy sources.	Understands current resource mix.
Energy resource that can be used to generate electricity under competition	TBD (will be specific to pilot)	Understands generation sources and can ask pertinent questions of suppliers
Environmental impacts of energy generation and use	TBD	Understands environmental implications of generation sources choices and can ask pertinent questions of suppliers.
Ways to lower electric bill	Electric bill can be lowered by using less electricity and by reducing price per kWh	Understands that electric bill is effected by energy usage and price per kWh

## Restructuring Education Matrix

### Skill Set for Customer Choice

**Skill Set for Customer Choice** - the set of skills used by participants in the competitive structure that equips consumers with the ability to confidently evaluate competing energy suppliers and sources as to cost, service, etc. If this category of education is successful, the consumers will be able to ask pertinent questions to suppliers, determine the differences between the offerings and determine the personal value of each factor of each offering, and make a decision on **whether to participate and of which supplier to select.**

<b>Educational Needs</b>	<b>Message</b>	<b>Desired Consumer Action</b>
Knowledge of electrical industry structure under a competitive environment	Three functions may be performed by three separate companies. Generation service is the area of choice.	Can think of three functions and knows which is open to choice.
How can customer get information on potential suppliers	List of suppliers and how to contact them or get information on lists of suppliers	Customers knows how to get information on suppliers
Costs of alternative offers	How to compute cost per kWh. for generation and transmission	Customer confident in ability to compare cost of supplier offerings
Able to figure total cost of each offering	Supplier Price for generation and transmission only. Total price must add distribution cost (per kWh?)	Customer feels confident in ability to compare total cost for each supplier offering
How will customer be billed	TBD	Customer knows how to ask whether one/two bills available for each offering.
Environmental comparison of offerings	Questions to ask to determine environmental effect of energy production (how to read environmental label, if available)	Customer able to determine environmental effect of production for each offering
(Data to be added as needed)		

## SUMMARY OF STATE ACTIVITIES BY ISSUE

### **I. Customer Education**

#### **SUMMARY OF STATES' ACTIVITIES**

Arizona: R14-2-1613. Service Quality, Consumer Protection, Safety, and Billing Requirements.

L. Electric Service Providers shall provide notification and informational materials to consumers about competition and consumer choices, such as a standardized description of services, as ordered by the Commission.  
(ACC Decision No. 59943, 12/26/96)

California: Implementation of Customer Education.

Many states have specified some form of customer education, but California has the most direct field experience with conducting a massive customer education campaign. Sections I through V of this report, addressing Customer Education, review the development of the education campaign, starting from the legislation, through refinement by working groups of stakeholders and decisions by the California PUC, to implementation by a board assembled by the utilities.

#### **I. Legislation.**

Section 391 of the Public Utility Code states, “the restructuring of the electricity industry will create a new electricity market with new marketers and sellers offering new goods and services, many of which may not be readily evaluated by the average consumer.” The code also mandates that: (1) electricity consumers be provided with sufficient and reliable information to be able to compare and select among products and services provided in the electricity market, and (2) consumers be provided with mechanisms to protect themselves from marketing practices that are unfair or abusive.

Broad, general consumer education is authorized and delegated to the CPUC in Section 392. Among the features of the education effort:

- A “Customer Education Program” must be implemented prior to implementation of the competition transition charge.
- The Customer Education Program must be devised and implemented by electric corporations in conjunction with the CPUC.
- The purpose of the Customer Education Programs is to inform customers of the changes to the electric industry and provide customers with information necessary to help them make appropriate choices as to their electric service.

- The education program shall be subject to approval by the commission.

In addition to general customer education, the PUC is authorized to issue public alerts about companies which operate in an unauthorized or fraudulent manner. The PUC must also direct its Office of Ratepayer Advocates to collect and analyze information to prepare easily understood informational guides or other tools to help residential and small commercial customers understand how to evaluate competing electric service options.

The intermingling of customer education and consumer protection in Sections 391 and 392 seems to reflect the dual legislative intent of providing electricity consumers with reliable information about electricity competition and providing mechanisms to protect consumers from marketing practices that are unfair or abusive. Additional language in the Public Utility Code about consumer protection will be addressed in the parts of this report on disclosure, billing information and consumer protection.

## II. Report to the CPUC (October 30, 1996) by the Direct Access Working Group.

The report asked the CPUC to decide quickly on issues which would have the greatest impact on consumer protection and education activities, including: phase-in of direct access, load profiling for small customers, and access to customer information by competitive retailers. In addition, the report put the most urgency on the development of registration requirements and the development of a Consumer Education Plan, to allow marketers to begin marketing activities well in advance of the beginning of competition and to ensure that consumers were prepared to deal with marketing activities.

## III. California PUC Decision 97-03-069, Interim Opinion issued March 31, 1997.

In this decision, the PUC approved recommendations of California electric utilities to establish a joint, statewide customer education program (CEP). The effort was to be funded by Pacific Gas and Electric Company, San Diego Gas and Electric Company and Southern California Edison Company, at an initial level of \$20 million. The PUC ordered the companies to establish an Electric Restructuring Education Group (EREG), composed of 19 members from various stakeholder groups, which would further develop the Customer Education Program, including hiring consultants, developing a detailed education plan, and proposing a detailed budget. The EREG was given the limited mandate to devise and implement a Customer Education Program before the restructuring began on January 1, 1998, with the EREG to sunset on May 31, 1998.

The PUC decided further educational efforts would be continued through an Electric Education Trust (EET), which would start up as the Customer Education Program wound down. The EET was charged with promoting consumer education in helping customers understand changes to the electric industry, and should target customer groups and communities where direct access participation remained low or where the level of reported consumer abuses was high. The PUC envisioned the EET educational efforts beginning about March of 1998, with a sunset date of June 30, 1999.

The sunset date was subsequently extended by statute (SB 477) to December 31, 2001. The PUC was given authority to determine the funding level of the trust, with amounts not covered by the funding allocation made in Decision No. 97-03-069 paid for by utility electrical corporations in proportion to their share of revenues for regulated distribution services.

As a result of the legislation and PUC decision, the Electric Restructuring Education Group hired a consultant, DDB Needham Los Angeles as lead agency for developing and implementing the Customer Education Program. The program plan was presented to the California PUC as follows.

#### IV. Customer Education Program -- Proposed Marketing Plan (May 30, 1997).

The Marketing Plan gives the background, product and marketing strategies, communications objectives, operations strategy and budget for the Program. The authors (the Electric Restructuring Education Group) state the purpose of the program is to “provide a neutral, comprehensive and balanced integrated education program.” The California PUC Outreach Program was to be “integrated within the Customer Education Program.” The total budget for the CEP was to be \$87 million, with \$2 million allocated for use by the PUC. Specific features of the marketing plan are as follows:

##### A. California PUC Decision goals.

In Decision 97-03-069, the California PUC directed the EREG to ensure maximum customer outreach by constructing the efforts of the Customer Education Program from the start as a multilingual effort. The PUC also stated that to avoid bias, advertising space should not be sold on the consumer educational materials.

The PUC established a set of “Messages and Themes” which was “not meant to exclude other messages and themes that the EREG may determine are appropriate.” The PUC wanted customers to know:

1. Change is coming.
2. The types of expected changes, including multiple companies selling electricity.
3. The benefits and risks of direct access.
4. That consumers will have a choice of providers, be able to use hourly pricing options based on PX price, or they can choose to remain with their existing default provider.
5. Potential marketing abuses that consumers need to be aware of.
6. The continued safety and reliability of the generation and transmission network.
7. What the CTC (Competition Transition Charge) is and who is responsible for paying for it.
8. Be made aware of potential changes in metering technology and billing that may be required of them if they choose direct access or the hourly PX pricing option.

9. The procedures that the customers and utility must follow in order to switch to a different provider.
10. The joint CEP effort must be free of bias so that customers can make informed choices in this restructured electric industry environment.
11. To ensure that there is maximum customer outreach, the efforts of the joint CEP need to be constructed from the start as a multilingual effort.

## B. EREG Goals.

The EREG translated these and other criteria into several goals or concepts, including: (1) to be the trusted unbiased information resource on restructuring; (2) to be uplifting, positive, safe and reassuring; (3) to provide each energy customer in California with a base level of accurate information; (4) to make information easily accessible and available; (5) to make the communication of this information straightforward and easy to understand and provide it in languages that the customers can understand; (6) to empower the customer to take charge of the learning process; (7) the purpose of the CEP is not to promote or "sell" restructuring to California's customers but rather to educate them to the changes occurring in California's electric industry.

The EREG marketing plan makes the additional following statement:

For the majority of Californians this is a low involvement category. We can not expect the customer to initiate the information sharing process. By distributing a base level of information to each California household and small business, we assure each customer the opportunity to access the information they need to know about the changes in the electric industry in order to make an informed decision about their energy supplier.

## C. Marketing Strategy.

- (1) Target Audiences:
  - Small Residential -- want assurances about safety, reliability, simplicity, and want to save money. Negative experiences with other restructured industries. Electricity is a much lower interest than other restructured industries.
  - Commercial Users -- want reliability and performance. Want to save money and understand unbundled rates related to new services.
  - Special Needs Users -- Low-income, geographically challenged (rural), multi-lingual, physically challenged (may feel particularly anxious about marketing abuses).
  - Opinion Leaders -- Local Government; Public Officials; Key Influentials (business leaders, opinion leaders in community organizations).
- (2) Creative Strategy. No real details were provided in the Proposed Marketing Plan -- much depended on research and development.
- (3) Media Delivery Strategy.

*Phase I* (June and Aug. 1997) -- Public Relations.

Press conference; key spokespeople build EREG credibility and “role within PUC”; work with CPUC staff to coordinate outreach; establish a customer-friendly web site.

*Phase II* (September 1997) -- Introduction of CEP campaign and toll-free information call center.

Use a combination of multilingual vehicles (TV, newspaper, radio) to achieve maximum reach and intrusiveness. Leverage PSAs wherever possible. Set up a multilingual call center to field customer questions. Ongoing public relations, media briefings, community outreach briefings and training.

*Phase III* -- (Oct. - Dec. 1997) -- Distribution of Base Level Information.

Direct mail to 12 million households and small businesses. Use broad based vehicles (broadcast and outdoor) to build awareness of changes, choice and toll-free information call center. Use multiple layers of non-traditional vehicles and distribution points including: community organizations, churches, post offices, retail locations, festivals, fairs and employee workplaces. Ongoing public relations.

*Phase IV* -- (Dec. 26 to February 1998) -- Information Dissemination and Functional Education.

Sustain levels of broad based media. Additional mailings to 12 million households or small businesses. Dissemination of collateral materials including “how to” booklets with photos or illustrations. On-going public relations. Expand outreach to include schools and libraries and other public locations. Continue community organization outreach.

*Phase V* -- (Mar. through May, 1998) -- Final Information/Help.

On-going public relations, including media briefings, talk shows, special events. Increase relevance of communications by responding to activities in the electricity marketplace. Reallocate and adjust activities and resources to appropriate audience segments based on monitoring research.

#### (4) Overall Communication Objectives.

Reach every household and small business and make basic and additional information available. Reach 60% aided awareness of the education program for each target audience. Will “develop customer profiles” as determined by attitudes or variables such as beliefs about information resources.

#### (5) Customer Research.

- Message development research to ensure “clear and impactful” messages.
- Copytesting research to ensure creative materials are clear, interesting, appealing and will capture our audience’s attention.
- Monitoring and adjustment research to measure progress toward our goal.
- Monitoring and adjustment research among Community Based Organizations to measure progress toward information distribution goal.

The Proposed Marketing Plan states research methods were based on focus groups. Apparently, no statewide statistical survey work was done, on a publicly available basis,

before regulators and legislators launched California's restructuring effort. Telephone interviewing was proposed as part of Monitoring and Adjustment research; three samples of 200 each were to be drawn for nine target audiences; before during and after the Program.

(6) Operations Strategy.

Describes mainly the advertising agency and its subcontractors. The EREG board would hold bi-monthly meetings throughout the course of the program, but the ad agency, DDB Needham, was to do all the real implementation of the plan.

D. Budget.

Several pages of budget details were included. The budget was based on meeting the educational needs of all Californians, including customers in franchise areas of municipal utilities. The \$87.5 million budget represents 0.43 percent of the annual \$20 billion spend each year in California on electricity. On a per capita basis, it represents 1 percent of the average California household's yearly electric bill.

The marketing plan offered various points in support of the budget, including:

- Infinitely more complex message than Caller I.D, Anti-Smoking, Teen Pregnancy. Information so complex it must be delivered in phases.
- Conflicting claims in marketplace require substantial communications effort.
- Electric restructuring makes previous restructuring efforts pale in impact and complexity. The telephone companies in California spent \$57 million on education.
- Hew Hampshire and Massachusetts trials demonstrated that the learning curve is long.
- Low interest, low involvement category.
- Service so reliable that there never has been a need to know more about it. However, because electric service is viewed as a birthright, any perceived change to service can be viewed as a threat.
- Negative baggage from previous deregulation efforts may cause people to turn off to message.
- Besides being largest market for electric power, this is the largest and most prominent restructuring effort in the U. S.
- Cannot afford to implement a CEP that doesn't have impact.

E. Contingency Plans.

- Scope or magnitude of campaigns large than anticipated.
- Need to deal with misleading advertising or marketing abuses.
- Overload of toll-free information call center.
- External events (reliability problems, power outages).
- Difficulty or delays in exercising electric company choice.
- Legislative action that may "impact the principles of AB 1890."

Connecticut: The Department of Public Utility Control (Department):

- will assign one individual within the Department to coordinate the outreach program and oversee the education process.
- will develop a comprehensive public education and outreach program by December 1, 1998.
- will submit a report to the Energy and Technology Committee (E&T) outlining: the scope of the education outreach program, identifying the individual acting as outreach program coordinator and the membership of the advisory council by December 1, 1998.
- will begin to implement the outreach program no later than January 1, 1999. The Consumer Counsel will name the members of the Consumer Education Advisory Council no later than December 1, 1998.
- may retain a consultant in accordance with section 16-18a of the general statutes to assist in developing and implementing the public education and outreach program.
- has begun surveying about a dozen states regarding their education and outreach programs.

A docket will be established for the legislative report but not for the development or implementation of the outreach and education plan. (House Bill 5005, 4/98)

Delaware: Many players could, and should play a role in providing unbiased consumer education before, during, and after the transition period. These players should include the Commission, consumer advocates, distribution utilities, business bureaus, and other groups and associations.

Consumers must have easy access to affordable, accurate, and comprehensible information so that they can make informed decisions about the supplier and the services they choose. Informational materials should be readily available, tailored to customer type, and disseminated through multi-media intended to reach different customer groups. (Restructuring the Electric Utility Industry in Delaware, A report to the House of Representatives of the 139th General Assembly from the Delaware Public Service Commission. PSC Docket No. 97-229, January 27, 1998, pages 12 & 22.)

Illinois: Illinois' Electric Service Customer Choice and Rate Relief was signed into law on December 16, 1997. Sec. 16-117 of the Illinois law requires a Commission Consumer Education Program to provide residential and small commercial retail customers with information to help them understand their service options, rights and responsibilities. The law establishes a working group to submit educational materials to the commission for approval by March 1, 1999, for small commercial customers and November 1, 2001, for residential customers. The materials, at a minimum, must include concise explanations of:

1. the structure of the electric utility industry;
2. choice available to consumers;
3. customer's rights, risks, and responsibilities;

4. legal obligations of alternative retail electric suppliers;
5. services that may be offered on a competitive basis;
6. services an electric utility is required to provide;
7. components of a bill that could be received by a customer taking delivery services;
8. complaint procedures; and
9. additional information available from the Commission upon request.

The Illinois law also details the distribution of education materials and allows the Commission to adopt a uniform disclosure form which alternative retail electric suppliers would be required to complete enabling consumers to compare prices, terms and conditions offered by such suppliers.

Funding of the educational program will be through annual appropriations from the General Revenue Fund. The Commission is charged with studying the effectiveness of the program each year.

Sec. 16-122 of the Illinois law requires all suppliers to provide customers billing and usage data upon payment of a reasonable fee. Sec. 16-123 requires all electric utilities and alternative retail electric suppliers to maintain a customer call center where customers can reach a representative and receive current information.

Louisiana: Many small users may lack the knowledge and sophistication necessary to make informed decisions when contracting for electric supplies. Therefore, it may be appropriate to establish consumer education and information programs if retail competition is deemed appropriate in Louisiana. Such programs could be administered through utilities or public agencies and may require special funding mechanisms.

Most retail customers, especially residential and small commercial customers, are probably not aware that electric industry restructuring is underway or that they may soon have both the opportunity and responsibility to select their own electricity services provider. The potential for public confusion, annoyance and even fraud is present. For these reasons, it is desirable for public policy to undertake a public education effort directed at preparing the public for retail customer choice.

Competing retailers will also provide customers with the sort of product and services information that characterize all retail markets but retailers may not be the best source of information about the transition to choice and basic description of how the new market will work. Government could either do the more fundamental consumer education on its own or direct the monopoly distribution company to do it. (Public Interest Determination - Generic Wheeling Docket U-21453)

Maine: Consumer education advisory board; rules. The commission shall adopt rules implementing a consumer education program in compliance with this subsection.

A. The commission shall immediately organize a consumer education advisory board to investigate and recommend methods to educate the public about the implementation of retail access and its impact on consumers. The commission shall ensure broad representation of residential, industrial and commercial electric consumers, public agencies and the electric industry on the advisory board. Members of the board shall serve without compensation.

B. In its recommendations, the advisory board shall address:

- (1) The level of funding necessary for adequate educational efforts and the appropriate source of that funding.
- (2) The aspects of retail access on which consumers need education;
- (3) The most effective means of accomplishing the education of consumers;
- (4) The appropriate entities to conduct the education effort; and
- (5) Any other issue relevant to the education of consumers regarding the implementation of retail access and its impact on consumers.

C. The commission shall consider the recommendations of the advisory board when adopting rules to implement a consumer education program. Rules adopted under this subsection are major substantive rules pursuant to Title 5, chapter 375, subchapter II-A. The commission shall provide these rules to the legislature in accordance with Title 5, chapter 375, subchapter II-A, no later than February 1, 1998. (LD 1804, 5/97)

Maryland: Staff proposed that the customer education process include the following elements: (1) general information; (2) advertising; and (3) "word of mouth," by utilities, the media, the commission, other government agencies and consumer advocates. They will strive for achieving uniform and comprehensive customer education. Information which compares and contrasts the rates of competing utility companies is essential for informed choice by customers. The Maryland Office on Aging desires public meetings to be scheduled at all senior citizen activity centers state-wide. The delivery of clear, concise and unbiased information is critical to a successful transition to a fully competitive marketplace.

Again the Roundtable was to submit a report with its results by May 28, 1998, however, I called June 30th and it is not available yet. (Order No. 73834, Case No. 8738, 12/31/97)

Massachusetts: In D.P.U. 95-30, we established the principle that the transition to competition in the generation sector of the electric industry must be orderly and expeditious and minimize customer confusion. D.P.U. 95-30, at 45. The Department anticipates playing a vital and continuing role in educating and listening to the public during the restructuring process. In order to provide a forum for public participation, the Department has held sixteen public meetings, from March to November, 1996, throughout the Commonwealth. Particularly during the early meetings, the confusion surrounding electric industry restructuring was evident. On March 15, 1996, the Department created the Consumer Education Advisory Task Force ("Task Force") to enhance and "ensure public education and opportunities for public input throughout the restructuring process" (March 15, 1996 Notice of Inquiry/Order Opening the Restructuring Investigation in D.P.U. 96-100, at 7). Consumers cannot make efficient choices without adequate information; thus, the Department's goal of the development of an efficient industry structure can only be achieved if relevant information is made available to potential consumers. Task Force membership includes representatives of the Department, consumer groups, and electric companies. The Task Force is organized into ten small groups dedicated to providing information and correspondence to various organizations. To date, the Task Force has made progress in public education by methods such as issuing press releases and developing an Internet web site with restructuring information, and will continue to educate the public and promote public participation during the restructuring process. (D.P.U./D.T.E. 96-100)

Michigan: On June 5, 1997, the Michigan Public Service Commission (PSC) issued an order in Case No. U-11290 opening Michigan's retail electric market to competition. In that order, the PSC directed its staff to file a report on consumer issues. On October 13, 1997, the staff filed its report with the PSC entitled "Customer Focus Issues and Recommendations."

The PSC staff report recommends the PSC ensure necessary information is communicated to customers on a statewide basis through an outreach and education campaign continuing throughout the restructuring process (1997-2002). The campaign would continue, to a lesser degree, after the year 2002.

Staff proposes a three-phase educational campaign as follows:

*I. Phase I - Understanding and Preparing for Restructuring (1997-2001)*

- Volunteer Working Group - Planning and Development through a Joint Effort
  1. Theme, Logo, and Messages
  2. Consumer Input (e.g., focus groups)
  3. Generic Materials (e.g., basic, understandable, informational materials)
- Toll-free Hotline Numbers
- Training of Brokers, Marketers, Aggregators and Suppliers
- Web Sites (provide information including licensed suppliers, average electricity prices, supplier fuel mix, environmental impacts, consumer complaints)

- Consumer Forums

*II. Phase II - Learning to make a Good Choice (2001-2002)*

- Public Awareness Campaign
- Protection Materials (provide information on selecting a supplier, valuing electric bills, standardized billing, generation sources and emissions, rule change notification, procedures publications, energy assistance programs, dispute resolution procedures, standard offer service, costs of changing suppliers, etc.)
- Standard Documents (i.e., a standard unbundled bill format)
- Speaker's Bureau - List of speakers and videotapes

*III. Phase III - Perpetuating Good Decisions and Fair Marketing Practices (2003-Ongoing)*

- Customer Surveys - Measure effectiveness of campaign
- Consumer Alerts - Inform customers of fraud and unfair practices.
- Continuing Education

Montana: Section 4 of the Montana law provides for pilot programs conducted by utilities to gather necessary information to determine the most effective and timely options for providing customer choice. Necessary information is specified as:

- demand for electricity supply choice and the availability of market prices for smaller customers;
- the best means to encourage and support the development of sufficient markets and bargaining power for the benefit of smaller customers;
- the electricity suppliers' interest in serving smaller customers and the opportunities in providing service to smaller customers;
- experience in the broad range of technical and administrative support matters involved in designing and delivering unbundled retail services to smaller customers.

Section 7 of the Act requires public utilities to educate their customers about customer choice so that customers may make an informed choice of an electricity supplier. The education process must give special emphasis to education efforts during the transition period. Similarly, Section 14 requires cooperative utilities to educate their customers about customer choice, giving special emphasis to education efforts during the transition period.

(SB 390, 5/97)

Nevada: Section 48 of Nevada legislation states:

The commission, before the commencement of direct access to alternative sellers for an electric service, shall carry out an educational program for customers to:

- (a) Inform customers of the changes in the provision of electric service, including, but not limited to, the availability of alternative sellers of electric service;
- (b) Inform customers of the requirements relating to disclosures, explanations or sales information for sellers of competitive services; and
- (c) Provide assistance to customers in understanding and using the information to make reasonably informed choices about which service to purchase and from whom to purchase it. (AB 366, 7/97)

New Hampshire: A comprehensive public education program is essential to the smooth transition to a competitive market. The following are several core message which New Hampshire believe should be a part of the public education program:

- 1. An explanation in understandable, non-technical terms of the basic concepts of restructuring.
  - 2. An explanation of where and how customers will purchase power in a restructured industry. This would include default power service, bilateral contracts, the power exchange, and the role of aggregators;
  - 3. An explanation of how to compare supplier offers and what customers might want to consider as they evaluate the merits of various offers;
  - 4. An explanation of how unbundling services and rates will change bills and how to read and understand the new bills;
  - 5. An explanation of stranded costs, again in understandable, non-technical terms, addressing what they are, how they are measured, possible mitigation efforts, authorized recovery, and the expected duration of recovery;
  - 6. Information about consumer rights and responsibilities in a restructured industry. This would include changes to consumer protections, additional responsibilities customers now have, and the commission's role in a restructured industry;
  - 7. Information about the availability of a low-income assistance program;
  - 8. Information on energy efficiency and competitive energy service companies.
- (HB 1392, 5/96)

New Jersey: On April 30, 1997, the New Jersey Board of Public Utilities (BPU) adopted the report "Restructuring the Electric Power Industry in New Jersey: Findings and Recommendations" (Restructuring Report) under docket No. EX94120585Y.

To address concerns related to consumer protection in the deregulated energy market, the Restructuring Report recommended the formation of a Consumer Protection Task Force. The Task Force was charged with three major tasks: 1) to review existing consumer protection laws, 2) to develop recommendations for a comprehensive consumer education program, and 3) to develop recommendations for the disclosure of environmental information by power suppliers regarding the sources of power sold in

New Jersey. To address these distinct areas, three subcommittees were formed: the Consumer Protection Subcommittee, the Consumer Education Subcommittee, and the Environmental Disclosure Subcommittee.

The Customer Education Subcommittee (Subcommittee) of the Consumer Protection Advisory Task Force has developed a comprehensive statewide consumer education plan. The goals of the plan are to educate consumers about electric and gas competition, to furnish consumers with sufficient and reliable information that allows them to compare and make informed decisions on energy products and services, and to provide consumers with helpful information as to how to protect themselves against potential abuses or fraud.

To promote these goals, the Subcommittee has developed a list of desired messages and themes. These include:

1. You can choose your electric and gas supplier just like you choose your long distance telephone carrier;
2. Customer choice means that all electric/gas utility customers will be able to choose the company that supplies the electricity and gas they use;
3. Your local utility will continue to use its existing infrastructure to deliver the energy to your home, even if you choose another supplier;
4. Price is just one aspect of choice, others include reliability, power sources and their environmental impacts;
5. Consumers need to be aware of potential marketing abuses like slamming, fraudulent and/or deceptive or misleading advertising and unfair marketing practices;
6. Service will remain reliable. There is an obligation of the traditional monopoly supplier to continue to provide safe and reliable service. In addition, competitive suppliers will have to meet reliability standards in order to ensure that there is enough power available to meet customers' needs; and
7. The New Jersey Board of Public Utilities recommended that competition begin October 1, 1998. Each utility will operate on its own timetable. All customers will have choice no later than July 1, 2000.

Customer education efforts will consist of two distinct phases. Phase I will educate consumers about the advent of consumer choice and raise awareness if impending changes in electric and gas service. Phase II will educate consumers on the tools that they can use to make decisions about their electric and gas suppliers.

Education efforts will make the information straightforward and easy to understand, develop appealing educational methods to excite people about restructuring, educate consumers using an array of communication resources and tools, and reach all consumer classes, with an emphasis on residential and small-business, low-income and non-English-speaking populations.

The communication tools utilized will include: Mass Media (television, print, transit and out-of-home advertising and radio); Brochures, Worksheets, Newsletters and Press

Releases; Videos; Train the Trainers Program; Public Speakers Bureaus; Internet; Seminars; and Bill Inserts. (IT'S YOUR CALL, A Customer Education Plan for New Jersey)

New York: The New York distribution companies will continue to develop and implement programs and materials that will aid customers in understanding the changes in the electric industry. The overall goals are to enable customers, particularly small customers, to make informed choices about utility service while understanding their rights and responsibilities as utility customers. (PSC Case No. 96-E-0897 [Amended and Restated] Agreement and Settlement pp. 56) *Similar language in all settlements*

Vermont: On December 30, 1996, The Vermont Public Service Board (VPSB) issued a Report and Order in Docket No. 5854 titled "The Power to Choose: A Plan to Provide Customer Choice of Electricity Suppliers."

The VPSB encouraged the utilities, the Department of Public Service, and other market participants to work cooperatively to develop requirements for the types of information that should be made available, along with mechanisms for providing this information to the public. The VPSB requested that the Department prepare a program of consumer information and educational initiatives to assist the Board in future stages of its restructuring investigation. (Docket No. 5854, pp. 24-25)

Additionally, the VPSB stated that it may be useful to set up a state-wide information clearinghouse (maintaining, for example, documents, booklets, and perhaps an electronic bulletin board listing all certified retailers and describing their service offerings) that will give customers easy and relatively free access to relevant market information. (Docket No. 5854, p. 38)

The Vermont Department of Public Service VDPS tendered its Consumer Information and Education Plan to the VSPB on February 18, 1997.

The communications objectives of the plan are to increase unaided and aided awareness of electric industry restructuring and to assess changes in attitude among Vermonters toward restructuring. The ultimate goal is to empower people to make informed choices about their electricity provider.

The plan focuses on three target audiences: residential electric customers, small commercial electric customers and influencers.

The VDPS proposed a phased approach.

- Phase I/"Understanding Restructuring" (Pre-legislation)
- Phase II/"Getting Ready for Choice" (Post-legislation)
- Phase III/"Making a Good Choice" (Pre-choice)
- Phase IV/"Continuing to Make Good Choices" (Post-choice)

Costs of the entire project are estimated to be \$629,800.

Virginia: It may be appropriate to establish consumer education and information programs as small users may lack the knowledge and sophistication necessary to make informed decisions when contracting for electric supplies. (Pages 12 & 13 of Corporation Commission Staff response to Senate Joint Resolution No. 259)

West Virginia: Information that will enable customers to make informed choices must be widely available. (Task Force report of interested parties (pages 24-26) to the West Virginia Public Service Commission. The Commission established the task force on May 8, 1998, by Commission Order.)

## **II. INFORMATION DISCLOSURE**

### **SUMMARY OF STATES' ACTIVITIES**

Arizona: By the date indicated in R14-2-1602, each affected utility shall file unbundled service tariffs to provide the services listed below to all eligible purchasers on a nondiscriminatory basis:

6. Information services such as provision of customer information to other Electric Service Providers;
  - F. Customer Data
    1. Upon authorization by the customer, an Electric Service Provider shall release in a timely and useful manner that customer's demand and energy data for the most recent 2 month period to a customer-specified Electric Service Provider.
    2. The Electric Service Provider requesting such customer data shall provide an accurate account number for the customer.
    3. The form of data shall be mutually agreed upon by the parties and such data shall not be unreasonably withheld.

(ACC Decision No. 59943, 12/26/96)

California: Disclosure is addressed by the following legislative directives in the Public Utility Code:

A consumer taking service from an alternative generation supplier has an obligation to pay various costs to the distribution company. This obligation must be set forth in the applicable rate schedule, contract or tariff option. (Sec. 370)

"Electrical corporations" must disclose each component of the electrical bill, specifically: (1) the total charges for transmission and distribution, including the research, environmental and low-income funds, and; (2) the total charges for generation, including the competition transition charge. (Sec. 392)

"Electrical corporations" must provide conspicuous notice that if the customer purchases electricity from another provider, the customer will continue to liable for the competition transition charge. (Sec. 392)

Various notices to residential and small commercial customers must be easily understandable and provided in the language in which the entity offered the service. (Sec. 394.4"c")

Each entity offering service to residential and small commercial customers must provide the potential customer with a written notice of the service describing the price, terms and conditions of the service, including: (Sec. 394.5)

- Requirements for price disclosure, including a format which allows customers to compare similar products and services and estimates of monthly bills; separate disclosure of all recurring and nonrecurring charges associated with sale of electricity; and itemization of non-electricity services and charges.
- An explanation of the competition transition charge.
- A description of the customer's right to rescind the contract without fees.
- An explanation of the customer's financial obligations and procedures regarding past due payments, service discontinuance, bill disputes, and service complaints.
- The entity's registration number.
- The right to change service providers upon written notice, including disclosure of fees or penalties for early termination.
- A description of low-income assistance for qualified customers.

The PUC may assist registered entities in developing the notice, and the registered entities must provide the commission semiannually with a copy of the form of notice included in standard service plans made available to residential and small commercial customers. (Sec. 394.5)

An entity declining to provide service to a customer must, upon request by the customer, disclose the reason for the denial in writing within 30 days. (Sec. 394.5)

Additional legislation, Senate Bill 1304, apparently requires suppliers to disclose fuel mix to customers. The California Energy Commission is to develop the rules.

Delaware: Certain aspects of the marketing material and bills distributed by aggregators and marketers should be required to conform to a standardized format so the customers can readily compare suppliers' current and historical prices and terms and conditions of service. (Restructuring the Electric Utility Industry in Delaware, A report to the House of Representatives of the 139th General Assembly from the Delaware Public Service Commission. PSC Docket No. 97-229, January 27, 1998, pages 12 & 22.)

Georgia: All customers should have access to information regarding their own electric usage. That information should be released to suppliers of electricity and services only with the informed consent of the customer. (Docket No. 7313-U)

Illinois: Sec. 16-115A of the Illinois law requires alternative retail electric suppliers to disclose:

1. the prices, terms, and conditions of the products or services they are selling in writing;
2. the technologies and fuel types used to generate the electricity offered or sold to customers;
3. prices, terms, and conditions in itemized billing statements; and
4. average monthly prices, terms, and conditions of the products and services sold on an annual basis.

Louisiana: The Staff believes that a uniform disclosure mechanism would give customers an accurate, objective basis for comparing the environmental (and other) claims of competitive suppliers. We believe that an environmental disclosure policy is desirable for many reasons. Besides giving customers an objective by which to compare products, it protects suppliers from unfair trade practices claims by setting clear rules. It protects against customer backlash aimed at environmentally benign resources by helping to ensure that customers get what they pay for. Depending on the level of customer demand, it can result in cleaner resources and less pollution. The challenge is to develop a workable system of environmental disclosure so that customers can make informed choices. To be workable, disclosure should provide a common standard that facilitates comparisons between suppliers in a way that balances simplicity and accuracy.

An option that may be considered is an environmental disclosure rule for suppliers. This option would not mandate emission rates or renewable usage, but would provide customers with information about the fuel mix and emission rates of electricity available for sale so they could purchase their energy more wisely. (Public Interest Determination - Generic Wheeling Docket U-21453)

Massachusetts:

*Basis for Disclosure:* The Department's proposed rules required that a competitive supplier disclose information on its company resource portfolio using market settlement data provided by ISO-NE. In addition, the proposed rules required that a competitive supplier determine its company resource portfolio as the sum, over the label reporting period, of resources used by the provider in each hour to meet its load obligation. In responding to the comments received, the Department notes that our goal with respect to information disclosure is first to enable consumers to make informed choices of supply resources whose development and use they may wish to facilitate, and second, to ensure that consumers are protected from misrepresentations regarding these resources. The Department must ensure that information disclosure labels are not easily misinterpreted by retail customers. The Department remains concerned that the complexity of this company resource portfolio calculation and assignment to retail customers will introduce opportunities for competitors to game the Act's disclosure requirements to the detriment of consumers. Consequently, in our final regulation, we require the calculation of company resource portfolios on a quarterly basis, and provide for the segmentation of such resource portfolios into discreet components, subject to ISO-NE verifying such calculations for competitive suppliers. 220 C.M.R.

§11.06(2)(d)(2). In doing so, the Department recognizes that it cannot require that ISO-NE undertake these responsibilities. The Department is committed to fostering the development of the ISO-NE's authority to facilitate the implementation of information disclosure policies that may be applied on a consistent regional basis. This has been an important component of recent and ongoing efforts related to the tracking of disclosure data coordinated through the New England Conference of Public Utility Commissioners and the New England Governors' Conference, and we expect that this role will be better defined in the coming year. Given that suppliers may wish to offer products prior to the time that ISO-NE obtains the necessary authority to provide this

verification service, the final rules provide for verification by an independent auditor of resource portfolio disaggregation for a transition period prior to March 1, 1999. 220 C.M.R. § 11.06(2)(d)(2). Finally, the rules provide that competitive suppliers with verifiable contracts for resources smaller than one megawatt may include such resources in their company resource portfolio. 220 C.M.R. § 11.06(2)(d)(1)(c).

*Prospective Disclosure for New Suppliers and Disclosure Prior to Operation of the ISO Markets:* The proposed rules provided that, for the first three months that a supplier is in business, label data would be projected based on known resources and average regional system characteristics. The proposed rules did not include any provisions specific to information disclosure in the period between March 1, 1998, the date upon which retail customers may select a competitive supplier, and when the ISO-NE markets become operational. The Department determines that the three-month prospective period should be retained as it represents a time frame that balances the problem of data availability for new competitive suppliers with the need for verifiable information for disclosure purposes. 220 C.M.R. § 11.06(2)(d)(1)(b). The Department determines that it is not necessary to provide for prospective disclosure prior to the implementation of bid-based markets since even prior to the bid-based markets competitive suppliers should have information sufficient to identify settlement resources and distinguish between known resources and system power. Finally, the Department does not consider a claims-based disclosure policy appropriate as we find that disclosure requirements should apply consistently to all competitive suppliers rather than applying differently depending on specific conditions, such as whether a competitive supplier makes a claim.

*Data on Characteristics of System Mix, Imports and Labor:* The proposed rules required disclosure of system power to be based on information on the average regional system mix, including fuel characteristics, emissions characteristics and labor characteristics. The proposed rules provided for imports of known resources to be assigned characteristics of the appropriate generating unit, and for imports of system power to be assigned the characteristics of the exporting system mix. The proposed rules required that the emissions from a company resource portfolio or a segment of a company resource portfolio be compared on the label to the New England regional average emissions rate. The Department has modified the proposed rules in two ways. First, in order to avoid the problem of “green-washing,” the final rules require that all imports to the region be identified in the “fuel sources” column as “imports,” without any distinction between known resources and system power. 220 C.M.R. § 11.06(2)(d)(1)(e). Second, the Department has incorporated a comparison to new unit emissions into the final rules and into the sample label attached to this Order. 220 C.M.R. § 11.06(2)(d)(5). In addition, the Department recognizes that implementation of our disclosure policy requires the following information: (1) the average regional system mix; (2) the emissions characteristics of the average regional system mix; (3) the emissions characteristics of imported power; (4) the emissions characteristics of a new unit, and (5) the labor characteristics of the average regional system mix. 220 C.M.R. § 11.06(2)(d). The Department will determine average regional system characteristics,

emissions factors, and labor practices in consultation with DEP, and other agencies as appropriate.

*Information Disclosure for Distribution Companies Providing Standard Offer Generation or Default Generation Service:* The proposed rules applied consistently to competitive suppliers and to distribution companies providing standard offer service or default service. The Utilities state that, due to the particular circumstances of distribution companies, the rules should be modified as follows: (1) distribution companies should not be required to prepare terms of service, as they are covered by the Department's rules governing Terms and Conditions of Distribution Service; (2) distribution companies should not be required to provide a label to customers prior to initiation of default service; rather, the label should be distributed with the first distribution bill after a customer's switch to default service; (3) disclosure of information for standard offer service and default service should be based on regional information since they are not competitive offerings; and (4) notification could be less frequent for standard offer service and default service customers. The Department agrees with the Utilities that, because they are required to have Terms and Conditions of Distribution Service, the requirement to prepare terms of service is not necessary for distribution companies. The Department also agrees that, because of the ability of customers to switch at any time to default service, it is not appropriate to require that a label be distributed prior to initiation of default service. The Department has incorporated these comments into its final rules. 220 C.M.R. §§ 11.06(3) and (4). The Department agrees that standard offer generation service and default generation service may be served from system power, and thus would bear the characteristics of the regional system, and notes that the proposed rules accommodate this possibility. Therefore, the final rules do not reflect any change on this item. 220 C.M.R. § 11.06(2)(d)(1). Finally, the Department has not modified the quarterly notification requirements so that retail customers receive consistent information on a consistent basis regarding their generation service options. 220 C.M.R. § 11.06(4).

*Initiation and Revision of the Department's Disclosure Policy:* The Department determines that it is appropriate to establish a specific date upon which the disclosure rules become effective by requiring Competitive Suppliers to distribute labels in accordance with the Department's final rules beginning September 1, 1998. 220 C.M.R. § 11.06(2)(a). The Department has constructed its information disclosure policy and rules to provide retail customers with consistent and useful information using available data concerning resources used to serve retail customers. The Department recognizes, however, that our approach to information disclosure must remain flexible, and will evolve significantly over time as customers gain experience with retail competition, the markets unfold, ISO-NE gains expertise in the operation and settlement of electricity markets, other agencies implement policies that must rely on generating unit tracking (e.g., emission performance standards and renewable portfolio standards), and other states in New England move towards retail competition and develop their own information disclosure requirements. The Department does not anticipate a specific date or event that will trigger review of our rules, but we are committed to adapting our

information disclosure policy in response to these developments. (D.P.U./D.T.E. 96-100)

Michigan: The Michigan staff report indicates that efficient and effective competition requires access to accurate information regarding product price, quality, and characteristics. During the initial stages of competition, PSC staff recommends suppliers be required to provide to potential customers price information for all relevant services and, upon request, its supply portfolio. The information would be provided in a standardized format. The PSC staff also recommends standards be established identifying and defining “green” power including possible labeling standards.

Compliance with a PSC code of conduct is recommended as part of the licensing requirements for aggregators and suppliers. The recommended codes of conduct include commitments to:

1. provide accurate, understandable customer solicitation and marketing materials;
2. truth in advertising;
3. provide or pass on supplier information on generation sources; and
4. maintain a toll-free hotline for handling customer information and complaints.

Montana:

Section 26 of the Act requires that:

Electrical bills to consumers must disclose each component of the electrical bill in accordance with rules promulgated by the commission. Electrical bills must disclose but are not limited to the following:

- distribution and transmission charges;
- electricity supply charges;
- competitive transition charges;
- universal system benefits charges.

At the same time, Section 26 provides that:

Local governing bodies of a cooperative utility shall retain authority for cooperative utilities regarding customer nonpayment and reconnection and information contained in electrical bills to consumers. (SB 390, 5/97)

Nevada: Section 48 requires that the commission establish minimum standards for the form and content of all disclosures, explanations or sales information disseminated by a person selling a competitive service. The purpose is to ensure the person provides adequate, accurate and understandable information about the service which enables a customer to make an informed decision relating to the source and type of electric service purchased. Such standards:

- Must not be unduly burdensome;
- Must not unnecessarily delay or inhibit the initiation and development of competition for any service in a any market; and

- May establish different requirements for disclosures, explanations or sales information relating to:
  1. Different services; or
  2. Similar services to different classes of customers, whenever such different requirements are appropriate to carry out the provisions of sections 28 to 53, inclusive, of this act.

(AB 366, 7/97)

New Hampshire: Disclosure of information on customer bills is an important consumer protection function, especially during the initial transition period from regulation to competition. Regardless of who renders the bill, all prices and price components shall be clearly identified, such that customers can readily calculate the charges using the information provided on their bill. Customers shall also be provided with average kilowatt hour information on their bills so they can easily compare the price they are paying to what is available in the market. Both residential and small business consumers expressed a strong aversion to receiving two or more monthly bills. New Hampshire will open a rule making docket to develop rules that apply to suppliers, reflecting the foregoing requirements. (HB 1392, 5/96)

New Jersey: On April 30, 1997, the New Jersey Board of Public Utilities (BPU) adopted the report "Restructuring the Electric Power Industry in New Jersey: Findings and Recommendations" (Restructuring Report) under docket No. EX94120585Y.

To address concerns related to consumer protection in the deregulated energy market, the Restructuring Report recommended the formation of a Consumer Protection Task Force. The Task Force was charged with three major tasks: 1) to review existing consumer protection laws, 2) to develop recommendations for a comprehensive consumer education program, and 3) to develop recommendations for the disclosure of environmental information by power suppliers regarding the sources of power sold in New Jersey. To address these distinct areas, three subcommittees were formed: the Consumer Protection Subcommittee, the Consumer Education Subcommittee, and the Environmental Disclosure Subcommittee.

On December 5, 1997, the Environmental Disclosure Subcommittee submitted its report to the BPU. The goal of the report was to recommend a method of environmental disclosure that is verifiable and both financially and practically feasible and has the following features:

- Provides reliable and accurate information to enable customers to make informed choices about the environmental consequences of their power choices;
- Collects information in a way that is compatible with the State's possible use of an emission portfolio standard, if federal or collaborative regional action fails to address adequately the impact of air pollutant transport;

- Helps state agencies track the environmental impacts of restructuring the electric industry.

(Report: An Environmental Disclosure System for New Jersey Committee, p. 1)

New York: Customer choice would be enhanced by the availability of environmental information. The New York power companies and the staff of the PSC will work together to develop and implement an approach to providing customers with fuel mix and emission characteristics of the generation sources of the load serving entity. (PSC Case No. 96-E-0897 [Amended and Restated] Agreement and Settlement p.55) *Similar language in all settlements*

Vermont: Vermont proposed an information disclosure requirement as part of a supplier's certification. Information can be provided in a standard format to allow easy comparison among service offerings. Suppliers will be required to identify both the generation sources and the environmental impact (emissions) of its supply sources. (Docket No. 5854, pp. 118-119)

Vermont is also part of the New England Conference of Public Utility Commissions (NECPUC). This body issued the New England Model Disclosure Rule in March 1998. This model rule requires disclosure of the following information:

- Price to be charged and price variability;
- Customer service information;
- Fuel and emissions characteristics.

This information is to be presented in a consistent manner as determined by the Commission. (Regulatory Assistance Project Issuesletter, May 1998, NECPUC Model Rule pp. 1-5)

Virginia: Standards governing marketing and advertising practices should be established to prevent misleading or deceptive practices. (Pages 12 & 13 of Corporation Commission Staff response to Senate Joint Resolution No. 259)

West Virginia: The customer's choice should not be unreasonably constrained, restricted, or unreasonably delayed and should be made available as soon as reasonably possible. (Task Force report of interested parties (pages 24-26) to the West Virginia Public Service Commission. The Commission established the task force on May 8, 1998, by Commission Order.)

### **III. Bill Format**

#### **SUMMARY OF STATES' ACTIVITIES**

Arizona: R14-2-1613. Service Quality, Consumer Protection, Safety, and Billing Requirements.

H. Each Electric Service Provider shall ensure that bills rendered on its behalf include the toll free telephone numbers for billing, service, and safety inquiries and the telephone number of the Consumer Services Section of the Arizona Corporation Commission Utilities Division. Each Electric Service Provider shall ensure that billing and collection services rendered on its behalf comply with R14-2-1613(A) and R14-2-1613(B).

(ACC Decision No. 59943, 12/26/96)

California: Section 392 of the Public Utility Code requires disclosure of bill information. Electrical corporations must disclose each component of the electrical bill as follows:

- The total charges associated with transmission and distribution, including that portion comprising the research, environmental, and low-income funds.
- The total charges associated with generation, including the competition transition charge.
- A conspicuous notice that if the customer elects to purchase electricity from another provider that the customer will continue to be liable for payment of the competition transition charge. This paragraph does not limit the commission from requiring additional information.

In addition Sec. 394.4(e) requires standard bill formats, as follows:

- All bills shall have a standard bill format, as determined by the commission or the governing body, and shall contain sufficient detail for the customer to recalculate the bill for accuracy.
- Any late fees shall be separately stated.
- Each registered entity shall provide on all customer bills a phone number by which customers may contact the entity to report and resolve billing inquiries and complaints.
- A registered entity contacted by a customer regarding a billing dispute shall advise the customer at the time of the initial contact that the customer may file a complaint with the commission if its dispute is not satisfactorily resolved by the registered entity.

Attached as an addendum to this review of California's customer information is a recreation of a utility bill received by a customer in California. The bill was also accompanied by a glossy bill stuffer providing an explanation of the new bill format, and explanations of the items which are now being broken out on customers' bills.

## Bill Format - Sample.

Staff has obtained a copy of a customer's bill from California, for purposes of viewing the format of bills. Without revealing confidential customer information, the bill (from Pacific Gas and Electric) includes the following information:

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### ELECTRIC ACCOUNT DETAIL

Rate Schedule: E 1TB      Service Type: Bundled Service

Service:      From xx/xx/98 to xx/xx/98      Billing Days:    32      Electric Meter #: xxxxx

Electric	<u>Prior Meter Read</u>	<u>Current Meter Read</u>	<u>Difference</u>	<u>Constant</u>	<u>Usage</u>
	xxxxx	xxxxx	xxx	x	xxx Kwh

Total Charges.      \$xx.xx

Legislated 10% Reduction.      x.xx-

Net Charges.      \$xx.xx

The net charges shown above include the following components. Please see definitions on Page 2 of the bill.

Electric Energy Charge	\$0.0xxxx/Kwh *	\$x.xx
Transmission		x.xx
Distribution		x.xx
Public Purpose Programs		x.xx
Nuclear Decommissioning		x.xx
Competition Transition Charge (CTC)		x.xx
Trust Transfer Amount (TTA)		x.xx

\*      This rate is based on the weighted average costs for purchases through the Power Exchange. You may purchase electricity from another supplier. (Call 1-800-743-0040 for a supplier list.)

ELECTRIC		Kwh	Price
Baseline Quantities		xxx.x	
Baseline Usage	xxx.x	@	\$0.11589
Over Baseline Usage	x.x	@	0.13321

Usage Comparison  
This Year  
Last Year

Note:    All customers pay a Competition Transition Charge as part of the charges above, including those who choose an electricity supplier other than PG&E.

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The opposite side of the bill contains a box providing the following:

## **ELECTRIC INDUSTRY COMPETITION DEFINITIONS**

**Competition Transition Charge:** This charge was authorized by the CPUC and allows PG&E to recover costs related to its CPUC-approved, pre-restructuring investments in electric generating facilities and power purchase contracts. All customers are obligated to pay the CTC. The CTC does not diminish your 10% rate reduction nor increase the amount of your bill.

**Legislated 10% Reduction:** All residential and eligible small business customers receive this discount effective January 1, 1998. This rate reduction was ordered by the Legislature to provide some benefits of electric industry restructuring at the earliest possible date.

**Trust Transfer Amount (TTA):** This charge recovers the financing cost associated with the required 10 percent rated reduction. The underlying costs covered by the TTA have always been included in your bill. A portion of these historical costs has been refinanced through rate reduction bonds using lower interest rates and better terms to reduce customer costs and support the 10% rate reduction. The TTA has been transferred to a subsidiary of PG&E and then to a public trust. PG&E is collecting the TTA on behalf of the subsidiary and public trust. The TTA does not belong to PG&E. Although the TTA is shown as a separate line item, it is already included in your total charges and does not increase your electricity costs.

**Direct Access Energy Credit:** The cost of energy credited to customers who purchase electricity from a non-PG&E source.

**Distribution:** The cost of distributing the energy over the wires and utility poles to your home or business.

**Electric Energy:** The cost of electricity purchased by PG&E for its bundled-service customers from the non-profit Power Exchange.

**Nuclear Decommissioning:** The non-bypassable charge that will collect the funds required to restore the site when PG&E's nuclear power plants are removed from service.

**Public Purpose Programs:** The non-bypassable charge, which has always been part of utility bills, of contributing to state-mandated assistance programs for low-income customers and energy-efficiency efforts.

Delaware: Customers should be allowed to decide whether they want to receive one bill or two, and that if they want to receive one bill, they should be allowed to designate either the distribution utility or their alternative supplier as the primary billing entity. Until billing services become competitive, the billing fees charged by the distribution utility to alternative suppliers for consolidated billing should be regulated by the Commission. (Restructuring the Electric Utility Industry in Delaware, A report to the House of Representatives of the 139th General Assembly from the Delaware Public Service Commission. PSC Docket No. 97-229, January 27, 1998, pages 12 & 22)

Georgia: Consumers should have access to the necessary information about prices, services and suppliers in order to make informed buying decisions. (Docket No. 7313-U)

Louisiana: Requirements for standardized billing formats should be considered to ensure sufficient information for consumer analysis. The costs of generation need to be unbundled and stated separately on the customer bill. Unbundling costs for billing purposes would be an administrative act reviewed by the Commission. The current utility structure would be unbundled into a minimum of four affiliated business units: generation, transmission, distribution, and customer service operations. (Public Interest Determination - Generic Wheeling Docket U-21453)

Maryland: Commentaries agreed that billing and metering are not natural monopoly services. They state that competitive metering provides significant sources of savings for small and large customers alike. Those who oppose the competitive provision of metering services argue that it should be deferred until the phase in of full retail supply competition has been completed, that implementation risks a serious lessening of service quality, and that it may cause the loss of existing economics of scale which significantly lower meter reading and related costs.

The commission agreed that caution, thorough evaluation, and some delay in implementation of competitive metering is necessary and directed a roundtable to examine these and other matter which roundtable participants identify as important to the provision of competitive billing and metering and report its results by May 2, 1999. They still believe customers should be entitled to reasonable billing and payment procedures and be given an option to have and pay a single bill. (Order No. 73834, Case No. 8738, 12/31/97)

Massachusetts:

*Format of the Label*: The proposed rules stated that the label should be in a form to be determined by the Department. The Department has four label formats to this Order providing for disclosure of historic and prospective information on a product and a

company basis. Competitive suppliers and distribution companies offering standard offer service or default service should prepare disclosure labels using the appropriate format. Each label should present information on the back of all labels distributed to retail customers. (D.P.U./D.T.E. 96-100)

Michigan: The PSC staff report differentiates between residential billing rules and commercial and industrial billing rules.

- Residential Billing Rules<sup>21</sup> - The PSC staff addresses several customer protections including:
  1. requiring a positive ID before distribution companies and aggregators can accept a new customer;
  2. establishing billing standards which include rules on billing frequency, estimated billing, customer meter reading, equal monthly billing, cycle billing, billing for non-tariff services, charges for metering modifications, meter inaccuracies, billing errors, bill payment, bill information, switching fees, and supplier billing;
  3. priority payment for essential services such as generation and distribution;
  4. acceptable payment methods;
  5. minimum information to be included on the bill;
  6. industry billing protocols including:
    - ⇒ rules standardizing how suppliers bill their customers;
    - ⇒ backbilling notification
  7. collection standards including:
    - ⇒ payment arrangements
    - ⇒ shut-off provisions
    - ⇒ transfer of unpaid balances
  8. supplier and aggregator accessibility to customers; and
  9. disclosure of rights.
- Commercial and Industrial Billing Rules - The PSC staff has not reached any conclusions regarding billing practices for commercial and industrial customers. A competitive market may resolve the issues discussed above under residential billing for these customers.

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<sup>21</sup> The PSC staff report addresses several customer protection requirements under residential billing. Many of these requirements are addressed by the Universal Service Ad Hoc Group and the Reliability Team. This summary only addresses billing standards and information.

Montana:

Section 26 of the Act requires that:

Electrical bills to consumers must disclose each component of the electrical bill in accordance with rules promulgated by the commission. Electrical bills must disclose but are not limited to the following:

- distribution and transmission charges;
- electricity supply charges;
- competitive transition charges;
- universal system benefits charges.

(SB 390, 5/97)

Nevada: Section 40 requires the commission must establish regulations for licensing, including billing practices of alternative suppliers. (AB 366, 7/97)

New Jersey: On April 30, 1997, the New Jersey Board of Public Utilities (BPU) adopted the report "Restructuring the Electric Power Industry in New Jersey: Findings and Recommendations" (Restructuring Report) under docket No. EX94120585Y.

To address concerns related to consumer protection in the deregulated energy market, the Restructuring Report recommended the formation of a Consumer Protection Task Force. The Task Force was charged with three major tasks: 1) to review existing consumer protection laws, 2) to develop recommendations for a comprehensive consumer education program, and 3) to develop recommendations for the disclosure of environmental information by power suppliers regarding the sources of power sold in New Jersey. To address these distinct areas, three subcommittees were formed: the Consumer Protection Subcommittee, the Consumer Education Subcommittee, and the Environmental Disclosure Subcommittee.

With respect to billing and fair pricing and credit and collections standards, the Consumer Protection Subcommittee recommended that the Legislature amend any existing statutes or adopt new legislation to give the BPU the authority to promulgate rules and regulations pursuant to the Subcommittee's recommendations.

Specific recommendations with regard to billing statements state only that the billing statement shall include the cost per therm/kwh. (Consumer Protection Task Force Consumer Protection Subcommittee Report, pp. 13-14)

New York: The New York PSC will be waiving the requirements for a plain language bill format adopted in Case 28080, *Order Requiring Gas and Electric Utilities to File Revised Billing Formats* (Oct. 31, 1985) to the extent that any such provisions are inconsistent with the Company's ability to: 1) institute non-discriminatory procedures which require an applicant to provide reasonable proof of the applicant's identity as a

condition of service; 2) modify its bill content and format in response to industry restructuring; and 3) include non-tariffed items in a bill; provided, however, that customers' current payments are credited first to tariffed items and that service cannot be terminated for failure to pay non-tariffed items.

At a minimum, the Company's bills will contain the following:

- an explanation of how bills may be paid
- total charges due
- due date
- dates of present and previous meter readings
- whether the consumption levels were based on estimated or actual readings
- the amount of any penalty charges
- any credits from past bills
- any amounts owed and unpaid from previous bills
- the customer service classification
- any budget plan information, if applicable
- unit price of energy consumed or other appropriate itemization of charges (including sales taxes and other informative tax itemization)
- complete name and address of customer
- unique account number or customer number assigned to the customer
- meter readings
- period of time associated with each product or service
- name of entity rendering bill
- local or toll-free telephone number customers may call with inquiries

(PSC Case No. 96-E-0897 [Amended and Restated] Agreement and Settlement pp. 28-29) *Similar language in all settlements*

Rhode Island: 39-3-37.3. Informational notice on electric bills. -- Every electric distribution company who shall charge for the distribution of electricity to any house, building, tenement or estate shall conspicuously display upon the bill or statement for any customer the following information:

- a) The total number of kilowatt hours consumed;
- b) The total cost of distributing the consumer power to the customer;
- c) Transition charges;
- d) Conservation costs;
- e) The total cost of transmitting the consumed power to the appropriate distribution site;
- f) All applicable credits;
- g) Applicable street light rental costs;
- h) Applicable taxes;
- i) The cost of power delivered; and
- j) All other costs, charges or fees added to the bill or statement.

(96-H 8124, 2/96)

Vermont: Vermont states that it is important to lessen the potential for confusion and to reduce information burdens imposed on customers. Potential problems associated with multiple bills can be reduced by creating standards for the consistent presentation of information, such as defined billing units for specific services. (Docket No. 5854 pp. 23-24)

Additionally, purchases of competitive services should be identified separately on bills from other wires charges and services provided by the monopoly Distribution company, and presented according to standard formats that reflect the source of charges to customers. (Docket No. 5854, p. 42)

Virginia: Requirements for standardized billing formats should be considered to ensure sufficient information for consumer analysis. (Pages 12 & 13 of Corporation Commission Staff response to Senate Joint Resolution No. 259)

West Virginia: Customers should be protected from poor service, unfair billing/collection procedures and disconnection practices. (Task Force report of interested parties (pages 24-26) to the West Virginia Public Service Commission. The Commission established the task force on May 8, 1998, by Commission Order.)

## **IV. Fair Business Practices/Slamming**

### **SUMMARY OF STATES' ACTIVITIES**

Arizona: R14-2-1613. Service Quality, Consumer Protection, Safety, and Billing Requirements.

- C. No consumer shall be deemed to have changed suppliers of any service authorized in this Article (including changes from supply by the Affected Utility to another supplier) without written authorization by the consumer for service from the new supplier. If a consumer is switched to a different ("new") supplier without such written authorization, the new supplier shall cause service by the previous supplier to be resumed and the new supplier shall bear all costs associated with switching the consumer back to the previous supplier. (ACC Decision No. 59943, 12/26/96)

California: California's Public Utility Code has numerous, extensive, detailed provisions for customer protection. While there is no specific "consumer bill of rights," language in the legislation occasionally states "customers shall be entitled to aggregate their loads. . ." or "the entity shall disclose to the consumer his or her right to make such a request."

The major customer protection features include:

- Aggregation: Entitlement to aggregation; positive voluntary written declaration; default service; aggregation by public agencies. (Sec. 366)
- Verification of changes in aggregator or supplier for small commercial customers: independent third-party telephone; written confirmation in mail; customer signature on a document; electronic signature. (Sec. 366.5)
- Verification by an independent third-party verification company of changes in aggregator or supplier for residential customers: criteria for third-party verification companies; connection of customer to third-party verification company; confirmation process; direct contact by customers. (Sec. 366.5)
- An information base for customer inquiries: PUC authority to compile information; filing of information by registered entities. (Sec. 392.1)
- PUC authority to issue public alerts about unauthorized or fraudulent practices. (Sec. 329.1)
- Informational guides: PUC authority to collect and analyzed information and prepare guides to help customers understand how to evaluate competing electric service options; no ranking or recommendations. (Sec. 392.1)
- Registration of electrical service entities, including: description of entity and service; disclosure of civil, criminal or regulatory sanctions or penalties; proof of financial viability; proof of technical and operational ability. (Sec. 392.1)
- PUC authority to develop uniform standards for determining technical and operational capacity. (Sec. 392.1)

- PUC authority to deny registration: notice; hearing; standards for denial of registration. (Sec. 394.1)
- PUC authority to accept, compile and attempt to informally resolve consumer complaints regarding registered electric supplier entities: PUC authority to investigate on its own motion; resolution of complaints against public agencies and municipal utilities reserved to those utilities; customer option of judicial action; access to documents of registered entities; prohibition on discontinuance of service during complaints or investigations. (Sec. 394.2)
- Notice of availability of judicial remedy (Sec. 394.27)
- Commission authority to implement rules for minimum standards of conduct: confidentiality of customer information; physical disconnection and reconnection; change in providers; written notices; standard bill format; meter integrity; customer deposits. (Sec. 394.4)
- A PUC list of residential and small commercial customers who do not want telephone solicitations: (Sec. 394.7)
- Funding of consumer protection efforts using unclaimed refunds. (Sec. 394.9)
- Cancellation provisions: right to cancel until midnight of the third business day; written notice of cancellation by the buyer; effective when deposited in the mail properly addressed with postage prepaid; need not take the form as provided with the contract. (Sec. 395)
- Consumer remedies for damages: entitlement to recover actual damages, reasonable attorney's fees and court costs, exemplary damages, other relief. (Sec. 396)

Delaware: Payment schedules, disconnection procedures, and dispute resolution procedures should be disclosed to customers both on educational materials and on the bills. Consumers should be informed that they have the right to prevent their distribution utility or their alternative supplier from releasing their personal information as well as data about their payment history, specific usage patterns, and appliances to other agencies or alternative suppliers. (Restructuring the Electric Utility Industry in Delaware, A report to the House of Representatives of the 139th General Assembly from the Delaware Public Service Commission. PSC Docket No. 97-229, January 27, 1998, pages 12 & 22)

Georgia: The State of Georgia must have all authority necessary to prevent and prosecute fraud, and unfair and deceptive acts and practices in the provision of electricity and related ancillary services. (Docket No. 7313-U)

Illinois: The Illinois law requires the Illinois Commerce Commission to promote the development of an effectively competitive electricity market that "operates efficiently and is equitable to all consumers." (House Bill 362, pp. 3-4). The law calls for consumer protections ensuring safe, reliable, affordable, and environmentally safe electric service.

Sec. 16-115A of the Illinois law requires alternative retail electric suppliers to obtain verifiable authorization from a customer before the customer is switched from another

supplier. This is designed to prevent slamming. This section also prohibits redlining of residential and small commercial customers.

Louisiana: Additional protection measures will need to be developed to prevent the unauthorized switching of power suppliers. (Public Interest Determination - Generic Wheeling Docket U-21453)

Maine: Beginning March 1, 2002, pursuant to rules adopted by the commission, the provision of electric billing and metering services is subject to competition. The commission by rule may establish an earlier date for the beginning of competition for the provision of billing or metering services, except that the commission may not set a beginning date that is prior to March 1, 2000.

The commission by rule shall establish minimum standards necessary to protect consumers of these services and codes of conduct governing the relationship among transmission and distribution utilities providing electric billing and metering services, any affiliates of transmission and distribution utilities providing such services and providers of such services that are not affiliated with a transmission and distribution utility. The commission shall determine each transmission and distribution utility's costs of providing electric billing and metering services that are reflected in consumer rates, including capital costs, depreciation, operating expenses and taxes, and shall separate this portion of the consumer rate into a separate charge. (Rules adopted under this subsection are major substantive rules as defined in Title 5, chapter 375, subchapter II-A and must be provisionally adopted by March 1, 1999.)

Licensing of competitive electricity providers; consumer protections; enforcement.

1. Authority. In order to provide effective competition in the market for the generation and sale of electricity in the state and to provide an orderly transition from the current form of regulation to retail access, the commission shall license competitive electricity providers in accordance with this section.
2. Requirements. A competitive electricity provider may not undertake the sale of electricity at retail in this state without first receiving a license from the commission. Before approving a license application, the commission must receive from the applicant:
  - A. Evidence of financial capability sufficient to refund deposits to retail customers in the face of bankruptcy or nonperformance or for any other reason;
  - B. Evidence of the ability to enter into binding interconnection arrangements with transmission and distribution utilities;
  - C. Disclosure of all pending legal actions and customer complaints filed against the competitive electricity provider at a regulatory body other than the commission in the 12 months prior to the date of license application;
  - D. Evidence of the ability to satisfy the renewable resource portfolio requirement established under section 3210; and

- E. Disclosure of the names and corporate addresses of all affiliates of the applicant.

The commission shall consider the need for requiring and, if it determines there is a need, may require a competitive electricity provider to file a bond with the commission. The bond would be used as evidence of financial ability to withstand market disturbances or other events that may increase the cost of providing service or to provide for uninterrupted service to its customers if a competitive electricity provider stops service.

Standard consumer protection provisions. As a condition of licensing, a competitive electricity provider that provides or proposes to provide generation service to a customer, wherever, located, with a demand of 100 kilowatts or less:

- A. May not terminate generation service without at least 30 days prior notice to the customer;
- B. Must offer service to the customer for a minimum period of 30 days;
- C. Must allow the customer to rescind selection of the competitive electricity provider orally or in writing within 5 days of initial selection;
- D. May not telemarket services to the customer if the customer has filed with the commission a written request not to receive telemarketing from competitive electricity providers;
- E. Must provide to the customer within 30 days of contracting for retail service a disclosure of information provided to the commission pursuant to rules adopted under subsection 3 in a standard written format established by the commission; and
- F. Must comply with any other provisions adopted by the commission by rule or order.

Consumer protection standards; rules. The commission shall establish by rule consumer protection standards and standards to protect and promote market competition in order to protect retail consumers of electricity from fraud and other unfair and deceptive business practices. (LD 1804, 5/97)

Maryland: Maryland staff proposes that existing customer protections should be maintained, for both distribution and supply service, including the disclosure of terms and conditions of service, billing requirements, privacy protections and dispute resolution procedures.

It was proposed that there be requirements for written contracts between energy suppliers and customers, and that these contracts have “plain language” statements of pricing and other terms and conditions. Information should be provided so that customers would have the information needed to: compare the pricing and service terms of different suppliers; know where to seek information about their bills; ascertain the availability of and how to obtain dispute resolution; and explain protections of the customer’s privacy. Where the distribution companies bills for both distribution and

energy supply services, these will be separated on the bill. Staff proposed that customer protections be developed through the Roundtable process.

Staff envisions that the Roundtable will develop and propose for commission approval service termination rules for non-payment. Staff notes that the distribution company could not deny or disconnect service based upon a customer's payment problems with third-party suppliers. Staff proposes that a customer in this situation would be eligible to obtain service under the regulated supply option or another third-party supplier subject to the terms and conditions established by the commission. It is the commission's intention that customer protection in Maryland will not be lessened by the implementation of retail competition. (Order No. 73834, Case No. 8738, 12/31/97)

#### Massachusetts:

*Distribution of Terms of Service:* The proposed rules stated that terms of service must be available to any person upon request. The Department has clarified in its final rules that the terms of service "for any available generation offerings" should be available upon request. 220 C.M.R. § 11.06(4). The Department does not intend to inhibit competitive suppliers from writing contracts specific to individual retail customers; however, the Department considers that retail customers should be able to obtain terms of service for generation service offerings that are not tailored to an individual customer.

*Information Disclosure in Advertising:* The proposed rules required that the label be presented in all written marketing materials describing generation service. The proposed rules also conditioned a competitive supplier's ability to advertise or make claims regarding the relative environmentally beneficial effects of its resource portfolio upon compliance with renewable portfolio standards and generation performance standards. The Department has modified its final rules to require that marketing and advertising materials pertaining to specific generation service indicate that a label is available upon request. 220 C.M.R. § 11.06(6)(c). As a preliminary matter, the Department is directed in the Act to coordinate its rules and regulations governing advertising or marketing of electricity with the Attorney General. St. 1997, c. 164, § 193 (G.L. c.164, § 1F(5)(iii)). In addition, consistent with the Act, the final rules require that, where electricity rates are advertised, the rate to be charged must be included in bold print in the case of print advertisements or conveyed through clear and deliberate speech in the case of television or radio advertisements. St. 1997, c. 164, § 193 (G.L. c.164, § 1F(5)(iii)); 220 C.M.R. § 11.06(6)(e). Finally, the Department clarifies here that a competitive supplier's ability to make claims is not conditioned on the existence of renewable portfolio and generation performance standards, but on compliance with those standards once they are implemented by the appropriate agencies. 220 C.M.R. § 11.06(6). (D.P.U./D.T.E. 96-100)

*Switching Customers:* In the telecommunications industry, deregulation initially led to significant problems with the unauthorized switching of customers from one long-distance carrier to another. The practice of switching a customer's supplier without that customer's authorization is known as "slamming" in the telecommunications industry. In

light of these problems, the Department stated in the May 1 Proposed Rules that any competitive supplier wishing to switch a customer from another competitive supplier to its own service would have to obtain that customer's written or other verifiable authorization. Commenters agreed that the Department should prohibit the unauthorized switching of a customer and should impose penalties on any competitive supplier who is found to have engaged in the unauthorized switching of customers to its service.

The Federal Communications Commission ("FCC") has promulgated rules on customer switching in the telecommunications industry. 47 C.F.R. Subpart K (Changing Long Distance Service); Subpart L (Restrictions on Telephone Solicitation); Policies and Rules Concerning Changing Long Distance Carriers, 7 FCC Rcd No. 3 (Jan. 9, 1992). The FCC requires that a long-distance carrier obtain a customer's authorization to switch service by one of the following means: (1) written authorization; (2) electronic authorization, such as a voice response unit; (3) a qualified and independent third party operating in a physically separate location who obtains oral authorization, including appropriate verification data such as Social Security number; or (4) an informational mailing to the new customer that includes a request for confirmation of the telemarketing order, the name of the newly requested carrier, a description of terms, a postpaid card that the customer may use to confirm, deny, or cancel a service order, and a contact number for consumer complaints.

Our Model Rules for switching customers mirror the FCC regulations. Competitive suppliers will be required to obtain authorization from a prospective customer by one of the four methods described above. In addition, distribution companies will be required to obtain confirmation that the customer has consented to switch electric generation before making the change.

Michigan: A PSC staff report recommends the Michigan Commission consider adopting a consumer bill of rights which would include the consumer's: 1) right to know; 2) right to choice; 3) right to fair dealing; 4) right to redress; 5) right to privacy; 6) right to service quality; 7) right to be served by a supplier complying with a required code of conduct and oversight; and 8) right to universal electric service.

Regarding slamming and other unfair business practices, the PSC staff recommends the following:

- Protection from Slamming - The PSC staff recommends all customers receive service under the terms of a written contract. Residential contracts would be standardized. The contract would contain all the terms of the sale of electricity such as the unit price, the units that will be measured, the billing method, the length of the contract, back-up provisions, and other pertinent information. A written contract would protect against unauthorized switching. In addition, the

PSC would have the right to revoke licenses, assess fines, and/or award damages for slamming offenses.

- Truth in Advertising - The PSC staff undertook a cursory review of PSC policies and existing statutes which relate to advertising and marketing practices of utilities and new participants in the electric market. Staff recommended revisions in rules and statutes addressing:
  1. One-Stop Customer Complaint Service - The PSC staff recommends the PSC seek additional legislative authority to address unfair trade practices. This would retain the benefit of one-stop complaint service for customers.
  2. Promotional Practices Policy - In Case No. U-8931, the Michigan PSC approved a settlement agreement which waived restrictions on certain promotional practices as long as costs were not reflected in rates. PSC staff believes restrictions for distribution companies may still need to apply.
  3. Customer Information and Advertising Standards- Staff is considering recommending revisions to the PSC's advertising standards lifting the restrictions on political and promotional advertising. However, for the regulated distribution companies, these standards may still need to apply.

Montana: Section 8 of the Act requires that the utility prevent discrimination in favor of its own power supply, prevent self-dealing, and grant nondiscriminatory access to customers and their electricity suppliers. The utility may adopt a code of conduct consistent with FERC regulations, and the commission must develop rules relating to codes of conduct.

Section 23 of the Act requires the commission to license electricity suppliers and enforce licensing provisions. The commission must also promulgate rules that protect consumers, distribution services providers, and electricity suppliers from anticompetitive and abusive practices.

Under Section 24, The commission may require as part of licensing: (a) proof of financial integrity and a demonstration of adequate reserve margins or the ability to obtain those reserves; and (b) a licensee to post a bond should an electricity supplier fail to supply electricity or lack financial integrity.

The commission is given authority in Section 25 to begin a proceeding to revoke or suspend a license of an electricity supplier, impose a penalty, or both, for just cause on the commission's own investigation or upon the complaint of a n affected party if it is established that the electricity supplier:

- intentionally provided false information to the commission;
- switched or caused to be switched, the electricity supply for its customer without first obtaining the customer's written permission;
- failed to provide a reasonably adequate supply of electricity for its customers in Montana; or
- committed fraud or engaged in deceptive practices.

Under Section 26 the commission must promulgate rules establishing the procedures relating to discontinuance of service to a customer because of the customer's nonpayment and reconnection. The rules do not apply to electricity suppliers that are cooperative utilities

Section 27 addresses slamming or unauthorized switching. An electricity supplier or any person, firm, corporation, or governmental entity may not make any change in the electricity supplier for a customer without first obtaining the customer's written permission. In addition, the commission must promulgate rules establishing procedures to prevent unauthorized switching. (SB 390, 5/97)

Nevada: Section 40 also provides extensive requirements for licensing of alternative sellers.

Under Section 42, the commission has general responsibility and authority to "monitor the markets" to identify and prevent activities inconsistent with the goals of the legislation. This includes establishing standards of conduct, and establishing conditions and limitations on the ownership, operation and control of the assets of a provider of an electric service. If the commission finds an unlawful exercise of market power such as "anticompetitive or discriminatory conduct," the commission shall consult with the Attorney General and the U.S. Department of Justice.

Section 48 gives the commission authority to ensure a customer is not switched without confirmation of intent. (AB 366, 7/97)

New Hampshire: Consumer protection, and the role the Commission will play in providing that protection in a restructured market, is a critical issue. Without appropriate protections, customers may be wary of participating in the competitive market. Too much regulatory intervention, though, could stifle market innovations and limit customer choice. While customers are undoubtedly concerned about price, knowing how and when their electric service can be shut off is equally important to them.

"Slamming" is a problem that some New Hampshire consumers have experienced with their long-distance telephone carriers. Having seen this problem emerge in the deregulated telecommunications industry, it cannot, in good conscience, stand aside and rely solely on the competitive market to protect consumers. Consequently, it will implement consumer protection rules which address the practice of "slamming." (HB 1392, 5/96)

New Jersey: On April 30, 1997, the New Jersey Board of Public Utilities (BPU) adopted the report “Restructuring the Electric Power Industry in New Jersey: Findings and Recommendations” (Restructuring Report) under docket No. EX94120585Y.

To address concerns related to consumer protection in the deregulated energy market, the Restructuring Report recommended the formation of a Consumer Protection Task Force. The Task Force was charged with three major tasks: 1) to review existing consumer protection laws, 2) to develop recommendations for a comprehensive consumer education program, and 3) to develop recommendations for the disclosure of environmental information by power suppliers regarding the sources of power sold in New Jersey. To address these distinct areas, three subcommittees were formed: the Consumer Protection Subcommittee, the Consumer Education Subcommittee, and the Environmental Disclosure Subcommittee.

The Consumer Protection Task Force makes the following recommendations with regards to contracts/slamming:

- Contracts must be written in plain language. Written contracts will be provided in a foreign language when energy service has been affirmatively marketed in that language. The contract will also be provided in English.
  - The contract must contain the BPU’s toll-free or local phone number.
  - Customer has three business days to cancel contract.
  - Customer’s signature is required on a contract for switching.
  - During the transition period, contracts should have a duration of no longer than one year.
  - Customer signature is required for contract renewal.
  - Contract renewal notice must contain the effective price and be mailed at least 45 days before contract expiration.
  - Slamming tactics by any supplier or agent thereof shall be prohibited.
  - Any proven incident of slamming will be considered an unconscionable business practice. The BPU will promulgate regulations to prohibit slamming.
  - The notice of contract termination should contain a “Statement of Customer Rights”.
  - Retail energy supplier contracts shall not contain penalty provisions.
- Contracts may provide for actual damages.

(Consumer Protection Task Force Consumer Protection Subcommittee Report, pp. 13-14)

New York: For the purposes of determining whether unregulated energy services will be provided to a customer, whether a deposit will requested from a customers, or for other approved purposes, the delivery company may disclose residential and non-residential customer information to other service providers, upon authorization by the customer. Such information is to be used only for the purposes listed above in response to a *bona fide* request from the customer to the service provider or with other customer consent. (PSC Case No. 96-E-0897 [Amended and Restated] Agreement and Settlement pp. 29) *Similar language in all settlements*

The New York PSC also states that all market participants should be subject to fair and consistent laws, rules and regulations. Mechanisms should exist to identify and correct anti-competitive behavior. (Opinion 95-7, Appendix C, pp. 1-2)

Vermont: It will be necessary to devise rules for distribution company marketing and customer relations that will protect against unfair practices. (Docket No. 5854, p. 38)

Consumer protection and enforcement standards can be established in an appropriate regulatory proceeding, but should extend to matters of unfair trade practices, such as fraud and misrepresentation. (Docket No. 5854, p. 94)

A “Consumer Bill of Rights” has been proposed. The essential elements are as follows:

- (1) Consumers shall have the right to know and control what they are buying;
- (2) Consumers shall have the right to know from whom they are buying;
- (3) Consumers shall have the right to know the full price of the goods and services that they are purchasing;
- (4) Consumers shall have the right to reasonable payment terms;
- (5) Consumers shall have the right to fair treatment by all providers, including clear and stable divisions of responsibility;
- (6) Consumers shall have the right to join with other consumers for mutual benefit;
- (7) Consumers shall have the right to impartial resolution of disputes;
- (8) Consumer shall have the right to reasonable consideration for service failure or missed appointments;
- (9) Consumers shall have the right to participate in the design and evaluation of restructuring;
- (10) Consumers shall have the right of access to service regardless of disputes with other retail providers of electricity as long as distribution charges are paid;
- (11) Consumers shall have the right to be free of improper discrimination in price, terms, conditions, or offers.

(Docket No. 5854, p. 96)

Virginia: Measures will need to be developed to prevent the unauthorized switching of power suppliers(“shocking” as termed by the Virginia Citizen Consumers Council). (Pages 12 & 13 of Corporation Commission Staff response to Senate Joint Resolution No. 259)

Rules for customer deposit requirements, late payment charges, service disconnection procedures, and priority of claims on partial consumer payments among the distribution, transmission, and power supplier companies must be established.

West Virginia: Customers should be protected from anti-competitive behavior and undue discrimination. (Task Force report of interested parties (pages 24-26) to the West Virginia Public Service Commission. The Commission established the task force on May 8, 1998, by Commission Order.)

## SUMMARY OF MODEL DISCLOSURE RULE

Customer choice for electricity service is happening quickly. By the end of 1998, millions of customers will be able to choose among competitive electricity suppliers for the first time. It will be a new experience. Customers have not had to make such choices since the earliest days of the industry.

One key to a successful transition to a competitive market will be whether customers are able to make reasonably informed choices. Well informed customers will allow the newly competitive market to function more efficiently. At the same time, if customers believe they have adequate information available to them, they are far more likely to embrace the decision to move to a competitive environment as a sound policy decision.

The National Association of Regulatory Utility Commissioners (NARUC) identified the need to provide retail consumers with clear and uniform disclosure to compare price, price variability, resource mix and environmental characteristics of their electricity purchases.

The New England Conference of Public Utility Commissions (NECPUC) is a regional-based regulatory undertaking whereby utility commissioners from six New England states agreed upon a model rule for disclosing standardized information to retail electricity customers throughout the New England region. The states included in the project were Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, and Connecticut.

The key disclosure issues serve three essential purposes:

1. **Allows customers to make the choices they wish to make and thereby achieves customer-driven outcomes.** Customers can find the product and services they want and the prices they are willing to pay. Firms that sell what customers want will thrive; those who do not, will suffer.
2. **Enhances customer protection.** Presenting basic information in a uniform format allows customers to compare directly terms and products among competing suppliers with a minimum of confusion. Consumers are less likely to be confused either by complex price offers or by unclear claims and/or mistaken beliefs about environmental characteristics.
3. **Makes the electricity market more efficient.** Disclosure drives prices down and forces competitors to supply the types of products and services consumers want. Suppliers who offer what customers want at the lowest prices will be more easily identified and rewarded. Knowing disclosure goals, however, is not the same as knowing what and how information is best disclosed. With the assistance of the National Council's research, the regional effort addressed five key issues:
  - **What information?** Consumers want and need standard, uniform disclosure by all suppliers. Disclosure of effective prices by all sellers is necessary for consumers to make cost comparisons. Simple uniform disclosure of fuel mix and emissions is needed for consumers to identify their preferred electricity service.

- **What format?** The disclosure should include a simple uniform label (Figure 1) showing the essentials of price, contract terms, fuel mix and emissions. Disclosure of basic information, in a simple, understandable and uniform fashion allows consumers to make informed purchasing choices.
- **Tracking and verification.** Two mechanisms discussed in New England are: tracking settlements information through the ISO-NE or using a tagging approach.
- **Should there be a default label?** A default disclosure approach will be used that allows sellers to report system average characteristics in the interim.
- **Where and when should disclosure occur?** The label and Term of Service must be given to customers at critical decision making moments.

This document is a model rule on uniform information disclosure developed by NECPUC staff. The model rule builds upon a project initiated by the National Council on Competition and the Electric Industry, and supported by NECPUC, to develop uniform information disclosure for retail electricity sales throughout New England. The purpose of the model rule is to provide a common starting point for commissions in the region developing information disclosure policies. The model rule does not represent any formal action or conclusion by any individual state commission. While NECPUC acknowledges that each New England state will be developing its own specific information disclosure policy, NECPUC continues to believe that a uniform regional approach is in the public interest for two reasons. First, such an approach will assist consumers in comparing suppliers' offers, thereby enabling consumers to make informed decisions about electricity suppliers in the region. Second, such uniformity will reduce supplier expenses attributable to compliance with different state requirements which, in turn, will lower the cost of electricity in the region.

## **XXX.01: Information Disclosure Requirements**

### **I. Purpose and Scope.**

- (A) Purpose. The purpose of this section is to ensure that Customers are presented with consistent, accurate, and meaningful information by which to evaluate services offered by Load-serving Entities.
- (B) Scope. This section applies to all Load-serving Entities as specified in this section.

### **II. Information Disclosure Label.**

- (A) Each Load-serving Entity shall prepare information on a label for each price offering in a form that is consistent for all Load-serving Entities, as determined by the Commission. Such label shall be a condition of licensure for Competitive Suppliers. The label shall present information in accordance with Rule XXX.01(2)(b) through XXX.01(2)(e), and shall conform to all applicable state rules and regulations. The label shall be distributed in accordance with Rule XXX.01(4).
- (B) Price to be charged and price variability. The label shall present the price of generation service as an average unit price in cents per kilowatthour as measured at the customer meter over the course of an annualized period, regardless of actual price structure. This unit price shall be the price for generation services only, and shall not include charges associated with delivery, other Commission regulated services, or other non-generation products or services except as provided below. The label shall contain the following information on average price and price variability.

#### **1. Average price information.**

- (a) Average prices shall be shown for four levels of use. The average price for each usage level shall be the total charge for generation service for the specified usage level, divided by the kilowatthours for the particular usage level. Average prices shall be rounded to the nearest one tenth of a cent per kilowatthour.
  - (i) Residential. Average prices for residential consumers shall be shown for usage levels of 250, 500, 1000 and 2000 kilowatthours per month.
  - (ii) Commercial. Average prices for commercial consumers shall be shown for 1,000, 10,000, 20,000 and 40,000 kilowatthours per month.
- (b) Average prices for time-of-use and seasonal prices shall be based on a single, generic New England load profile for each customer class, as approved by the Commission.

- (c) Average prices for service based on spot or other variable prices shall be shown based on the average prices that would have been charged in the last month of the prior quarter.
  - (d) Bundled Generation Service. Load-serving Entities that offer Generation Service in which electricity is bundled with any other product or service may display the charge for Generation Service either as
    - (i) The average price for which the Customer can purchase unbundled Generation Service from the Load-serving Entity, or
    - (ii) The average generation price, assuming the entire price of the bundled service is attributable to electricity. If this option is selected the label may include a statement in the same font as subheadings that identifies what is included in the average price, or
    - (iii) After approval by the Commission, the average price of the electricity separated from the other bundled services.
  - (e) Inducements. Average prices shall not reflect any adjustment for cash or non-cash sales inducements.
2. Price variability information. If prices vary by time of use or by volume, a subheading shall be printed below the average prices stating one or both of the following:
- (a) If prices vary by time of use, including seasonal prices, the statement shall read "Your average electricity price will vary according to when you use electricity. See your Terms of Service for actual prices."
  - (b) If prices vary by volume of sales, including prices that have a fixed charge and a flat energy charge, the statement shall read "Your average generation price will vary according to how much electricity you use. See your Terms of Service for actual prices."
- (C) Customer service information. The label shall contain a toll-free number for customer service and complaints.
- (D) Fuel and Emissions Characteristics. The label shall contain information on the fuel mix and emissions characteristics associated with the Load-serving Entity's resource portfolio.

1. Determining the Resource Portfolio.

- (a) Resource portfolio. The resource portfolio of a Load-serving Entity shall consist of the portfolio of generating resources used to meet that portion of the Load-serving Entity's Electrical Load associated with the kilowatthours delivered to retail customers, kilowatthours of associated electrical losses, and kilowatthours of use by the Load-serving Entity on

its own system, as determined in accordance with Section 14.1 of the NEPOOL Agreement and associated market rules. The resource portfolio shall include (1) a NEPOOL Participant's settlement resources, net of unit contracts sold, plus (2) any energy received due to negative adjusted net interchange, summed for all hours of the label reporting period. Such generating resources shall reflect Known Resources and System Power as discussed below. The resource portfolio shall be determined using market settlement data or equivalent data provided by the Independent System Operator. Resource portfolio information shall be updated on a quarterly basis. Load-serving Entities shall be responsible for providing resource portfolio data to the Commission upon request.

- (b) Label reporting period. The label reporting period shall be stated on the label. The label reporting period shall be the most recent one-year period prior to the reporting month for which resource portfolio information has been updated with the following exceptions:
  - (i) If a Load-serving Entity has operated for less than a full year, but more than three months, the Load-serving Entity shall report the information that is available for the portion of the year the Load-serving Entity has operated.
  - (ii) If a Load-serving Entity has operated for less than three months, the Load-serving Entity shall report a reasonable estimate of its resource portfolio based on (a) the Load-serving Entity's known generating unit ownership and contracts, and (b) the average regional system mix.
- (c) Known Resources: For each hour in which the resource portfolio includes kilowatthours that are associated with specific generating units in which the Load-serving Entity holds unit entitlements or contracts that specify the associated generation units, such kilowatthours shall be deemed to derive from Known Resources. On a monthly basis, the Load-serving entity shall determine the total kilowatthours that are associated with specific generating units, its Known Resources, and subtract them from its total kilowatthours of loads served in that month. For the purpose of determining fuel mix and emissions characteristics in Rule XXX.01(2)(d)2 and 3, kilowatthours from Known Resources shall be ascribed the characteristics of the associated generating units.
- (d) System Power: For all kilowatthours that are not associated with Known Resources in accordance with Rule XXX.01(2)(d)(1)(c) above, such kilowatthours shall be deemed to derive from System Power. For the purpose of determining fuel mix and emissions in Rule XXX.01(2)(d)2 and 3, kilowatthours from System Power shall be ascribed the characteristics of the residual system mix. The residual system mix shall be the mix of generating resources in New England net of Known Resources.

- (e) Imports: Until adjacent regions develop compatible disclosure policies, a Load-serving Entity's total imports to New England will be listed as a separate fuel source as defined in Rule XXX.01(2)(D)2. For the purpose of determining emissions characteristics as defined in Rule XXX.01(2)(D)3, imports shall be ascribed the characteristics of the exporting system's mix.
- (f) Disaggregation of Resource Portfolio: If a Load-serving Entity seeks to disaggregate its resource portfolio pursuant to this rule and make assignments and provide differentiated labels to particular customer groups, the Load-serving Entity shall be required to demonstrate to the Commission's satisfaction that its disaggregation is based on data that can be verified.

## 2. Fuel Source Characteristics

- (a) Each Load-serving Entity shall determine its resource portfolio in accordance with Rule XXX.01(2)(d)1 and shall report on the label the fuel mix of said resource portfolio.
- (b) At least the following fuel sources shall be separately identified on the label and listed in alphabetical order: biomass; coal; hydro; municipal solid waste; natural gas; nuclear; oil; solar; wind; and other Renewable Resources (including fuel cells utilizing renewable fuel sources, landfill gas, and ocean thermal). Fuel mix percentages shall be rounded to the nearest full percentage point.
- (c) Energy Storage Facilities. The fuel mix associated with an energy storage facility shall be the fuel mix of the energy used as input to the storage device. The characteristics disclosed shall include any losses as a result of storage.

## 3. Emissions Characteristics

- (a) Each Load-serving Entity shall identify its resource portfolio in accordance with Rule XXX.01(2)(d)1 and shall report on the label the emission characteristics of said resource portfolio.
- (b) For the purpose of emission characteristics disclosure, at least the following pollutants shall be separately identified on the label: carbon dioxide (CO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), and sulfur dioxide (SO<sub>2</sub>). The Commission shall determine, in consultation with the State Air-Quality Agency, whether additional pollutants should be disclosed.
- (c) Emissions for each emission category shall be computed as an annual emission rate in pounds per kilowatthour. For each emission category, the emission rate of the resource portfolio shall be compared to a reference emission rate. The reference emission rate shall be the New England regional average emission rate. Said reference emission rate

may be modified from time to time by the Commission in consultation with the State Air-Quality Agency.

- (d) Emission characteristics of the resource portfolio shall be calculated using annual emission rates for each generating facility as identified by the Commission in consultation with the State Air-Quality Agency and the United States Environmental Protection Agency. Until such annual emission rates are identified by the Commission, the annual emissions rates for a generating unit shall be calculated based on one of the following:
  - (i) Continuous Emissions Monitoring data for the most recent reporting year divided by net electric generation for the same period;
  - (ii) Emission factors currently approved or provided by state environmental protection agencies, the United States Environmental Protection Agency, or other appropriate government environmental agency, if Continuous Emissions Monitoring data are not available; or
  - (iii) If the generating unit has been in operation less than one year: (a) for NO<sub>x</sub> and SO<sub>2</sub>, permitted emissions levels; and (b) for CO<sub>2</sub>, the carbon content of the fuel.
- (e) The following types of generating units shall be assigned emissions characteristics as provided in this section:
  - (i) Energy storage facilities. The emissions associated with an energy storage facility shall be the emissions of the energy used as input to the storage device. The characteristics disclosed shall include any losses as a result of storage.
  - (ii) Cogeneration facilities may make a reasonable allocation of emissions between electricity production and other useful output based on measured heat balances. Said allocation shall be reviewed by the Commission, in consultation with the State Air-Quality Agency.
  - (iii) The use of offsets associated with facilities that emit CO<sub>2</sub> shall be as determined by the Commission, in consultation with the State Air-Quality Agency.

- (E) Format of Information Disclosure Label. The label shall be presented in a format to be determined by the Commission.

**III. Company Disclosure.** Each Load-serving Entity shall prepare an annual Company Disclosure report that aggregates the Resource Portfolios of all affiliated Load-serving Entities. The Company Disclosure report shall be provided to each customer of a Load-serving Entity prior to the initiation of service and on an annual basis thereafter.

**IV. Terms of Service Requirement.** Each Load-serving Entity shall prepare a statement entitled “Terms of Service” as described in this section. The Terms of Service shall be distributed in accordance with Rule XXX.01(4), and shall conform to all applicable consumer protection rules and regulations. The Terms of Service shall present the following information:

- (A) Actual pricing structure or rate design according to which the Customer will be billed, including an explanation of price variability and price level adjustments that can cause the price to vary;
- (B) Length and kind of contract;
- (C) Due date of bills and consequences of late payment;
- (D) Conditions under which a credit agency is contacted;
- (E) Deposit requirements and interest on deposits;
- (F) Limits on warranty and damages;
- (G) Any and all charges, fees, and penalties;
- (H) Information on consumer rights pertaining to estimated bills, third-party billing, deferred payments, and rescission of supplier switch within three days of receipt of confirmation;
- (I) A toll-free number for service complaints;
- (J) Low-income rate eligibility;
- (K) Provisions for Default Service;
- (L) Applicable provisions of state utility laws; and
- (M) Method whereby Customer will be notified of changes to items in the terms of service.

**V. Distribution of disclosure label and terms of service.** The label and the Terms of Service shall be distributed in accordance with this section as follows:

- (A) Prior to initiation of service. Following a Customer’s initial choice of a Competitive Supplier or initiation of Default Service, the Load-serving Entity shall provide the Customer with the disclosure label prepared pursuant to Rule XXX.01(2) and with the statements of the Terms of Service prepared pursuant to Rule XXX.01(3).
- (B) Notice. Load-serving Entities shall provide the label to retail Customers on a quarterly basis, at a minimum.

(C) Upon request. The label and the Terms of Service shall be available to any person upon request.

**VI. Information disclosure in advertising.** A Competitive Supplier shall state the availability of the disclosure label prepared pursuant to Rule XXX.01(2) in a prominent position in all written marketing materials describing generation service, including newspaper, magazine, and other written advertisements, and in all electronically-published advertising including Internet materials. For direct mail materials and similar marketing materials, the label shall be provided with the materials. Where Electricity Service is marketed in non-print media, the marketing materials shall indicate that the Customer may obtain the disclosure label upon request. Prior to the initiation of service, a Customer must have received the Competitive Supplier's disclosure label.

**VII. Enforcement.** Dissemination of inaccurate information, or failure to comply with the Commission's regulations on information disclosure, may result in suspension, revocation, or non-renewal of a Competitive Supplier's license.

## APPENDIX E

### **Iowa Statutes and Iowa Utilities Board Rules on Customer Information, Customer Protection, and Billing.**

#### **Customer Information.**

##### Iowa Statutes.

476.6"5" Written notice of rate increases.

476.6"19" Notice to customers of contested proceeding for energy efficiency plans.

476.18"1" Utilities may not charge their customers the costs of lobbying.

476.18"3" Utility advertising must be required by the Board or other state or federal regulation. Ads which are to be charged to the customers, and are not required by regulation must include a "tag line" stating the costs will be charged to customers. However, this does not apply to a utility's product or service that is or becomes subject to competition as determined by the Board.

476.20 Extensive statutes are provided on disconnection and notice of disconnection to customers.

476.56 A gas or electric utility shall provide, upon written request from the owner or prospective buyer or renter, the annual gas or electric costs for the property.

476.66"2" Utilities must periodically notify customer of the customer contribution fund.

478.2 Persons constructing electric transmission lines must hold informational meetings in each county in which real property or rights will be affected.

##### Iowa Utilities Board Rules.

One section of the Board's rules is especially pertinent, since it is part of rules for electric utility service:

Subrule 199--20.4(1) Customer information. Each utility shall:

- a. Maintain up-to-date maps, plans, or records of its entire transmission and distribution systems, together with such other information as may be necessary to enable the utility to advise prospective customers, and other entitled to the information, as to the facilities available for serving prospective customers in its service area.
- b. Assist the customer or prospective customer in selecting the most economical rate schedule available for the customer's proposed type of service.
- c. Notify customers affected by a change in rates or schedule classification in the manner provided in the rules of practice and procedure before the board.

- d. Post a notice in a conspicuous place in each office of the utility where applications for service are received, informing the public that copies of the rate schedules and rules relating to the service of the utility, as filed with the board, are available for inspection.
- e. Upon request, inform its customers as to the method of reading meters.
- f. State, on the bill form, that tariff and rate schedule information is available upon request at the utility's local business office.
- g. Upon request, transmit a statement of either the customer's actual consumption, or degree day adjusted consumption, at the company's option, of electricity for each billing during the prior 12 months.
- h. Furnish such additional information as the customer may reasonably request.

## **Customer Billing.**

The Board's rules governing metering and billing, in general, attempt to instill customer confidence in their electric bill. This confidence is built through providing sufficient billing information for customer computations, ensuring meter accuracy, and providing an appropriate recourse when the bill is found in error.

Applicable Board rules include the following:

20.3(1) *Disposition of electricity* - Provides for utility ownership of the meter and prohibits master metering except under specified conditions.

20.3(2) *Condition of meter* - Requires meters be in working order.

20.3(3) *Meter reading records* - Requires records be kept.

20.3(4) *Meter charts* - Provides recording requirements for meter charts.

20.3(5) *Meter register* - Requires visible access to meter readings and multipliers such that customers can verify the accuracy of their bills.

20.3(6) *Meter reading and billing interval* - Requires a minimum of monthly readings for smaller customers.

20.3(7) *Demand meter registration* - Requires visibility of the highest expected annual demand to be used for billing purposes.

20.4(1) *Customer information* - Requires: 1) up-to-date service territory maps; 2) customer assistance in selecting rate schedules; 3) customer notification of rate changes; 4) information of availability of rate schedules; and 5) information provided, at the customer's request, of meter readings and actual consumption.

20.4(9) *Customer bill forms* - Requires specific information on the bill which will allow the customer to verify the accuracy of the charges.

20.4(13) *Customer records* - Requires maintenance of customer records necessary to comply with Board rules.

20.4(14) *Adjustment of bills* - Provides for bill adjustments relating to meter error.

20.6(1) *Inspection and testing program* - Requires written program of the inspection and testing of meters.

20.6(2) *Program content* - Lists appropriate content for meter testing programs.

20.6(3) *Accepted good practice* - Adopts ANSI standards for accepted good practice for metering and meter testing.

20.6(4) *Meter adjustment* - Requires adjustment to zero error.

20.6(5) *Request tests* - Requires utilities to test meters, at the customer's request, no more than once in an 18 month period.

20.6(6) *Referee tests* - Provides for Board staff to referee utility meter tests.

## SUMMARY OF COMMENTS FROM ADVISORY GROUP

As part of the Iowa Utilities Board's inquiry, an Advisory Group was formed, consisting of various stakeholders with an interest in electric utility competition. The draft report on Customer Education and Electric Industry Restructuring was sent to the Advisory Group, and several sets of written comments were received. Verbal comments were also received during a meeting in which team leaders presented the draft reports.

The following verbal comment was received in the meeting with stakeholders:

Jerry McKim, affiliated with the Iowa Community Action Association.

Utility bills should be unbundled, even for standard offer service.  
Otherwise, we miss an opportunity for customer education.

Written comments were received from Alliant Utilities, the Iowa Association of Electric Cooperatives, the Iowa Department of Natural Resources, the Izaak Walton League of America and the Office of Consumer Advocate. The written comments are summarized below.

### Alliant Utilities (Alliant)

Alliant Utilities commends staff on the report, and states the report includes a fair treatment of issues associated with information disclosure and customer protection. Alliant has no further comments on the specifics of the report at this time, but notes that:

- customer education prior to retail access will need to be addressed,
- a state-wide approach will be the most effective and efficient, and
- the IUB's image as a neutral authority gives the IUB an opportunity to play a key role in the development and delivery of the educational program.
- Many issues in all of the staff reports, especially those related to market structure and power, do not have single solutions.
- Many of these issues are related; a position on any one issue affects positions on other issues.

- Broad-based support for any legislative proposal is achieved through significant tradeoffs by all stakeholders.

#### Iowa Association of Electric Cooperatives (IAEC)

Overall, the IAEC agrees with the concept that customer education is key to the successful implementation of electric industry restructuring in Iowa. The survey of Iowa consumers should prove useful in the design of messages. The cooperatives have a different consumer base than the investor-owned utilities in Iowa, which requires an emphasis on community oriented actions in educating cooperative member-owners.

The customer education messages should be collaboratively developed by all market entities in Iowa through an effort led by the IUB. The implementation of educational messages and actual communication with consumers is appropriately the responsibility of each incumbent delivery service provider, rather than a statewide campaign. The IAEC is submitting as part of its comments, a draft proposal for consumer education for rural Iowa. The IAEC also states its willingness to meet with staff and consultants to discuss the proposal.

#### Iowa Department of Natural Resources (DNR)

The DNR agrees with the customer education draft report except for the statement in the section on Environmental Disclosure which reads, "the need for extensive disclosure of environmental information may not be necessary, at least during this transition period." The DNR recommends the disclosure of environmental information be included during the transition period. If it becomes apparent that changes in reporting environmental information are necessary, then these changes can be made during the transition period. The pilot project period is a good transition time to try new ideas including environmental disclosure.

In addition, the Iowa customer survey indicates customers value environmentally sound practices; therefore, customers should be provided with environmental disclosure information during the transition period as well as afterwards. The DNR recommends the disclosure of environmental information apply to all utilities, whether or not green power is provided.

#### Iowa Attorney General - Office of Consumer Advocate.

While the Office of Consumer Advocate does not necessarily agree with all portions of the Draft Report, the Draft Report is very thorough and informative.

### The Izaak Walton League of America (the League)

The League notes that the survey conducted for the Iowa Utilities Board shows consumers value environmentally sound practices. Utilities and other energy service providers are aware of the high level of consumer interest in electricity that is cleaner than traditional sources. In markets open to retail competition, energy companies have attempted to gain market share by claiming they produce "clean" or "green" electricity. As noted in the draft report, these claims have been confusing and at times, false. Complete and accurate reporting of the environmental characteristics of an electricity provider's resource portfolio will allow customers who want cleaner resources to find them.

The report from the Eos Corporation notes that consumers must have functional knowledge about what energy resources are used to generate electricity and the environmental impacts of energy generation and use. This level of knowledge is necessary before consumers can take the next step to make environmental comparisons of various offerings. The League supports the findings by the Eos Corporation.

Efforts to provide basic information about the environmental impacts of the electric utility industry could begin immediately as part of any general education effort. If and when retail access is underway, customers must then be provided with uniform information about the environmental characteristics of various suppliers' resource portfolios.

The League states Iowa should institute an environmental disclosure requirement for all electricity providers. All utilities and new suppliers should provide information about fuel sources and pollution in standardized, easy-to-understand quarterly billing statements to consumers. This type of information will enable consumers to choose electric suppliers based on environmental performance. It will also provide a valuable public education role in better informing customers about the mix of power sources and related pollution.

The League notes the draft report did not include the Illinois Commerce Commission's recent rulemaking which finalized language implementing Illinois environmental disclosure law. The first Illinois environmental disclosures should appear as separate inserts in consumers' bills in the first quarter of 1999. The League believes Illinois' disclosure rule is comprehensive and should be considered as a model for Iowa's disclosure efforts.

As noted in the draft report, there are important reasons to consider designing disclosure information on a region-wide basis. The League is aware that disclosure language has been offered for consideration in both Minnesota and Wisconsin, in addition to the Illinois rule. The League is active in energy policy matters in the Upper Midwest region and offers its assistance in working with Iowa to develop uniform, regional disclosure.

The League attached copies of the Illinois disclosure law and an Illinois Commerce Commission order implementing the statute. The following two sections of this appendix summarize the Illinois disclosure law and the Illinois Commerce Commission rulemaking order.

#### SUMMARY OF ILLINOIS ENVIRONMENTAL DISCLOSURE LAW.

220 ILCS 5/16-127 (new) – Public Act 90-561

##### Sec. 16-127. Environmental disclosure.

(a) Effective January 1, 1999, every electric utility and alternative retail electric supplier shall provide the following information, to the maximum extent practicable, with its bills to its customers on a quarterly basis:

(i) the known sources of electricity supplied, broken-out by percentages, of biomass power, coal-fired power, hydropower, natural gas-fired power, nuclear power, oil-fired power, solar power, wind power and other resources, respectively; and

(ii) a pie-chart which graphically depicts the percentages of the sources of the electricity supplied as set forth in subparagraph (i) of this subsection.

(b) In addition, every electric utility and alternative retail electric supplier shall provide, to the maximum extent practicable, with its bills to its customer on a quarterly basis, a standardized chart in a format to be determined by the Commission in a rule following notice and hearings which provides the amounts of carbon dioxide, nitrous oxides and sulfur dioxide emissions and nuclear waste attributable to the known sources of electricity supplied as set forth in subparagraph (i) of subsection (a) of this Section.

(c) The electric utilities and alternative retail electric suppliers may provide their customers with such other information as they believe relevant to the information required in subsections (a) and (b) of this Section.

(d) For the purposes of subsection (a) of the Section, "biomass" means dedicated crops grown for energy production and organic waste.

(e) All of the information provided in subsections (a) and (b) of this Section shall be presented to the Commission for inclusion in its World Wide Web Site.

Summary of the Illinois Commerce Commission rulemaking on environmental disclosure.

The Illinois Commerce Commission issued an order October 7, 1998, describing the results of the first stage of rulemaking for environmental disclosure by electric utilities and alternative retail electric suppliers (ARES). The rules proposed by the Commission are listed as Title 83: Public Utilities, Chapter I: Illinois Commerce Commission, Subchapter c: Electric Utilities, Part 421 Environmental Disclosure.

The rules require utilities and ARES to submit to the Commission on a quarterly basis disclosure statements of the known sources of electricity supplied in Illinois, for the previous 12 months. The disclosure statements must provide a table of sources, a pie-chart, a table of emissions and nuclear waste, and other information the utility or ARES believes is relevant. The rules also require every utility and ARES to provide quarterly inserts in customers' bills which describe the same information, using the same tables and pie-chart.

The table describing sources of electricity includes:

- Biomass power
- Coal-fired power
- Hydro power
- Natural gas-fired power
- Nuclear power
- Oil-fired power
- Solar power
- Wind power
- Other resources
- Unknown resources purchased from other companies

The table describing emissions includes:

- Carbon dioxide
- Nitrogen oxide
- Sulfur dioxide
- High-level nuclear waste
- Low-level nuclear waste